

**The merger of Whitman Corporation
and the former PepsiAmericas
has created a leading Pepsi-Cola anchor bottler
with increased global presence
and above-average growth.**



Annual Report 2000

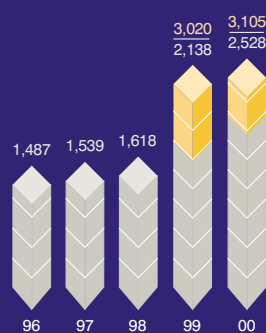
Pro Forma Financial Highlights

(Dollars in millions, except earnings per share)

Fiscal Years (Unaudited)	2000	1999
Summary of Operations		
Net sales	\$ 3,104.9	\$ 3,019.7
Operating income	274.5	236.3
Income before income taxes	168.2	136.6
Income from continuing operations	84.3	68.5
Per common share - basic	0.54	0.43
EBITDA	467.2	426.1
Percent of Sales		
Gross profit	39.7%	40.1%
Selling, distribution and administration	30.8%	32.3%
Operating margin	8.8%	7.8%
EBITDA margin	15.0%	14.1%
Key Financial Components		
Cash and equivalents	\$ 51.2	\$ 85.0
Working capital, excluding short term debt	103.3	204.1
Total assets	3,335.6	3,504.5
Short-term debt	513.3	660.0
Long-term debt	860.1	809.0
Total shareholders' equity	1,449.5	1,415.3

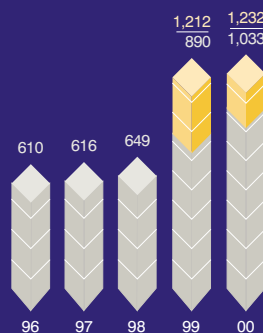
Net Sales

(Dollars in millions)



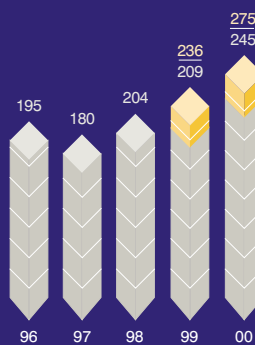
Gross Profit

(Dollars in millions)



Operating Income

Before special charges
(Dollars in millions)



The pro forma results for 2000 and 1999 are on a constant territory basis, which assumes all acquisitions and divestitures, with the exception of Trinidad and Tobago, occurred at the beginning of 1999 and excludes special charges and other non-recurring items.

◆ = As Reported ◆ = Pro Forma Unaudited

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We **make** a broad array
of carbonated and non-carbonated beverages,

sell

in geographically diverse
and growing markets and

deliver

products, services
and shareholder value.

Our goal is to continue to

grow

across the globe.

To Our Shareholders

On November 30, 2000, Whitman Corporation acquired PepsiAmericas, creating a leading anchor bottler within the Pepsi system. This combination is an important strategic step and is beneficial for both companies. For Whitman, the merger provides significant growth opportunities, increased scale and a management team that is focused exclusively on the beverage business. For shareholders of the former PepsiAmericas, it creates scale and is a stronger vehicle for growth. Recently, the combined company adopted the PepsiAmericas name.

**“Our objective
is to build the
best-performing
beverage company
in the world.”**

*Robert C. Pohlada
Chief Executive Officer*

We operate in a strong and exciting industry where our products are a part of everyday life. PepsiAmericas has a relationship with the Pepsi-Cola Company that is a true partnership and we have a strong management team who share the same personal and professional goals. PepsiAmericas has two fundamental strengths upon which we have built our growth plans – a portfolio of existing products with unequalled brand identity and a distribution system capable of delivering products to consumers virtually any time and place. As this report highlights, we make, sell and deliver the wide variety of soft drink products our consumers demand. We have targeted top- and bottom-line growth with improved returns and cash flow over the next few years, and we made progress toward the achievement of these objectives in 2000. Our goal for the new PepsiAmericas is to be the best-performing beverage company in the world.

2000 Highlights

Results for 2000 reflect improvement for both Whitman and PepsiAmericas on a stand-alone basis. Reported results are driven to a great extent by the acquisition of PepsiAmericas at the end of November, and by acquisitions made by Whitman and the former PepsiAmericas during 1999 and 2000. A clear understanding of this year's progress is best gained by a comparison of the company's results on a constant territory basis. To that end, my comments, as well as the numbers presented in the operations review, will be based on pro forma numbers for 1999 and 2000. These pro forma results assume the PepsiAmericas acquisition, as well as other acquisitions and



*John F. Bierbaum
Executive Vice President
Investor Relations and
Corporate Growth*



*G. Michael Durkin Jr.
Senior Vice President and
Chief Financial Officer*



*Robert C. Pohlad
Chief Executive Officer*



*Kenneth E. Keiser (left)
President and Chief Operating Officer
Domestic*

*Larry D. Young (right)
President and Chief Operating Officer
International*

The Evolution of Whitman Corporation and PepsiAmericas

1998 / Whitman Corporation spins off Midas and Hussman to its shareholders to focus on soft drink operations.

1999 / Whitman Corporation becomes a Pepsi anchor bottler and acquires the Heartland and Central European territories from PepsiCo.

1999 / Whitman sells its interests in St. Petersburg, Russia; Princeton, West Virginia; and Marion, Virginia.

1999 / In October, Dakota Beverage Company, Delta Beverage Group, Inc. and Pepsi-Cola Puerto Rico Bottling Company combine to create the former PepsiAmericas.

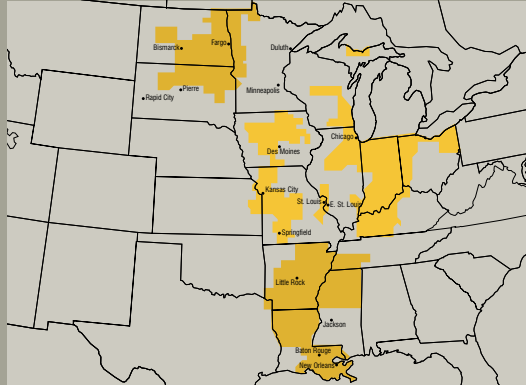
1999 / In December, Whitman acquires Toma, a leading soft drink company in the Czech Republic.

2000 / In November, the merger between Whitman Corporation and PepsiAmericas receives shareholder approval and is completed.

one + one

PepsiAmericas' Territories

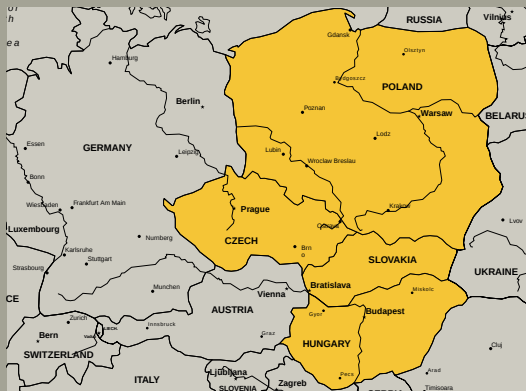
United States



PepsiAmericas' domestic market reaches from the Canadian border to the Gulf of Mexico and accounts for 21 percent of the total U.S. Pepsi volume. We enjoy a medium-to high-share position in the bulk of our territories. This will be the primary source of growth in the next three-to-five years.

Former Whitman Corporation
Former PepsiAmericas

Central Europe



As the third largest soft drink bottler in the world, we are committed to our international business. In Central Europe, we operate in Poland, Hungary, the Czech Republic and Republic of Slovakia. Full year growth for this region totaled slightly more than eight percent in 2000.

Former Whitman Corporation

Caribbean



In 2000, PepsiAmericas acquired operations in Trinidad and Tobago and added an investment in the Bahamas. This region provides the most immediate opportunity for growth through territory expansion.

Former PepsiAmericas

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divestitures, were completed at the beginning of 1999. (Pro forma results are highlighted on the inside front cover.) For an analysis of our results as reported, please refer to Management's Discussion and Analysis, beginning on page 19.

On a pro forma basis, PepsiAmericas' net sales were \$3.1 billion, up 2.8 percent from \$3 billion in 1999. Operating income for 2000 was \$274.5 million, an increase of 16.2 percent from \$236.3 million in 1999. EBITDA for the year was \$467.2 million, up 9.6 percent from \$426.1 million in 1999. Income from continuing operations was \$84.3 million, or \$.54 cents per common share, an increase of 23.1 percent, compared to \$68.5 million, or \$.43 cents per common share in 1999.

In 2000, pro forma capital expenditures were \$197 million, compared to \$219 million in 1999. More than half of these amounts represent continued investment in our cold bottle strategy. Free cash flow in 2000 was \$24 million compared to \$2 million in 1999.

Business Review

Four things drove the 2000 pro forma results of PepsiAmericas. First, higher pricing levels and the adjustment by consumers to the higher retail prices; second, continued growth and strengthening of our flavored and non-carbonated beverage portfolio; third, continued investment in the cold bottle business; and fourth, improved performance in our international business.

Higher pricing levels across all channels. During the year, higher pricing across the industry resulted in an increase for PepsiAmericas of just under five percent domestically on a per unit basis. The higher pricing clearly had an impact on domestic volume, which declined slightly for the year. While we would have preferred stronger volume performance, the discipline brought to our pricing strategy in all markets positions us well for 2001. Furthermore, volume performance began to improve towards year-end as consumers adjusted to these new pricing levels.

**“The new
PepsiAmericas
is strongly
positioned to
lead industry
consolidation.”**

*John F. Bierbaum
Executive Vice President
Investor Relations and
Corporate Growth*

**“Our ultimate goal
is to drive EBITDA
growth of eight to
ten percent and in
the next three
years we'll more
than triple our
free cash flow.”**

*G. Michael Durkin Jr.
Senior Vice President and
Chief Financial Officer*

**“2001 is the start
of PepsiAmericas
having the focus
to drive growth,
profitability
and returns.”**

*Larry D. Young
President and
Chief Operating Officer
International*

Growing flavors and non-carbonated beverages. Domestic volume growth in flavored beverages in 2000 was highlighted by the introduction of Sierra Mist in the fourth quarter. Volume growth in PepsiAmericas’ non-carbonated business was led by Aquafina bottled water, with volume up almost 30 percent for the year. Domestic top-line growth in 2001 should be driven by level- to slightly increasing-cola volumes, as well as significant volume increases in flavors and non-carbonated beverages.

Increased investment in cold bottle equipment. We continue to invest and see good results from our higher margin, higher growth cold channel business, with full year growth of approximately five percent in 2000. We also continued to expand our capacity and availability of PET packaging.

Operating improvement across Central Europe and the Caribbean.

Operating results have improved in our international markets. Central Europe reduced its operating losses and Poland reported an operating profit for the first time with EBITDA margins approaching our corporate average. Though encouraging, we are not satisfied with the performance in these markets. Our challenge in Central Europe is to define a broader “field of play,” meaning participation in all of the growing beverage categories, and to create the right distribution system for the European market.

In the Caribbean, we also improved results in 2000, especially in Puerto Rico, although we continue to experience competitive pressures. PepsiAmericas expects to continue adding territories in the Caribbean and it is our objective to operate across the entire region.

Strategies and Outlook

PepsiAmericas has four strategies to drive growth and shareholder value. They are to: (1) Grow volume through strong support of our Pepsi-Cola brands, enhanced by growth in flavors, non-carbonated beverages and cold channel investment; (2) Improve efficiency by driving merger integration savings and leveraging fixed costs; (3) Acquire contiguous domestic territories, as these

A Nuestros Accionistas

El 30 de noviembre de 2000, la Whitman Corporation adquirió PepsiAmericas, creando una embotelladora líder dentro del sistema Pepsi. Esta combinación constituye un importante paso estratégico y aporta beneficios para ambas compañías. Para Whitman, esta fusión provee grandes oportunidades de crecimiento, mayor escala y un equipo de directivos enfocados exclusivamente al negocio de las bebidas. Para los accionistas de la anterior PepsiAmericas, viene a aportar escala y representa un vehículo de crecimiento más fuerte. Recientemente, la compañía combinada adoptó el nombre de PepsiAmericas.

Efectuamos operaciones en una industria robusta y emocionante donde nuestros productos forman parte de la vida cotidiana. PepsiAmericas guarda con Pepsi Cola Company una relación de verdadera sociedad y contamos con un equipo de directivos que comparten los mismos objetivos personales y profesionales. PepsiAmericas tiene dos puntos fuertes fundamentales sobre los cuales hemos desarrollado nuestros planes de crecimiento – un portafolio de productos existentes con identidad de marca sin parangón y un sistema de distribución capaz de abastecer productos al cliente prácticamente en cualquier momento y en todo lugar. Como resaltamos en este reporte, producimos, vendemos y suministramos las bebidas que nuestra clientela demanda. Hemos fijado cuotas de crecimiento de ingresos y rentabilidad con mejores ganancias y mejor flujo de efectivo en los próximos años y ya hemos progresado en el camino hacia alcanzar estos objetivos en el 2000. Nuestro objetivo para la nueva PepsiAmericas es convertimos en la compañía de bebidas de mejor desempeño en el mundo.

Eventos Importantes en el 2000

Los resultados en el 2000 reflejan mejoras tanto para Whitman como para PepsiAmericas en forma autónoma. Los resultados que se reportan son generados en gran parte por la adquisición de PepsiAmericas a finales de noviembre, y por adquisiciones realizadas por Whitman y la anterior PepsiAmericas durante 1999 y 2000. La mejor manera de comprender claramente el progreso de este año es comparando los resultados de la compañía en una base territorial constante. A tal efecto, tanto mis comentarios como las cifras presentadas en el resumen de operaciones se basan en cifras pro forma para 1999 y 2000. Estos resultados pro forma parten del supuesto de que la adquisición de PepsiAmericas, así como otras adquisiciones y desposeimientos habían sido completados al comienzo de 1999. (Los resultados pro forma aparecen resumidos en la portada interior). Consulten, por favor, el análisis de nuestros resultados, según han sido reportados, en la Discusión y Análisis de la Gerencia, a partir de la página 19.

Sobre una base pro forma, las ventas netas de PepsiAmericas fueron de \$3,100 millones, 2.8 por ciento por encima de los \$3,000 millones de 1999. Los ingresos operativos en el año 2000 fueron de \$274.5 millones, lo cual representa un aumento del 16.2 por ciento con respecto a los \$236.3 millones en 1999. El EBITDA para el año en referencia fue de \$467.2 millones, un 9.6 por ciento más por encima de los \$426.1 millones en 1999. Los ingresos de operaciones continuas fueron de \$84.3 millones, o \$.54 centavos por acción común, con un incremento del 23.1 por ciento, en comparación con los \$68.5 millones, o \$.43 centavos por acción común en 1999.

En el año 2000, los gastos de capital pro forma fueron del orden de \$197 millones, comparados con \$219 millones en 1999. Más de la mitad de estas cantidades constituyen inversiones continuas en nuestra estrategia de botellas frías. El flujo de efectivo en el año 2000 fue de \$24 millones, comparado con \$2 millones en 1999.

Resumen de Negocios

Cuatro factores impulsaron los resultados pro forma de PepsiAmericas en el 2000. Primero, los niveles más altos de precios y el ajuste por parte del consumidor a los precios más altos de venta al por menor; segundo, el crecimiento y fortalecimiento constante de nuestro portafolio de bebidas de sabores y no carbonatadas; tercero, la inversión continua en el negocio de botellas frías; y cuarto, el mejor desempeño de nuestros negocios internacionales.

Niveles más altos de precios en todos los canales. Durante el año, los precios más altos en toda la industria se reflejaron en un aumento ligeramente por debajo del cinco por ciento para el territorio doméstico de PepsiAmericas en términos unitarios. Este incremento en precios claramente impactó el volumen doméstico, el cual se redujo ligeramente en el año. Aunque habríamos preferido un desempeño más fuerte en cuanto al volumen, la disciplina aplicada a nuestra estrategia de precios en todos los mercados nos da un buen posicionamiento para el año 2001. Además, el desempeño en cuanto a volumen comenzó a mejorar hacia finales del año, conforme los consumidores se iban acostumbrando a los niveles de precios más altos.

Crecimiento de bebidas de sabores y no carbonatadas. El crecimiento del volumen doméstico de las bebidas de sabores en 2000 fue resaltado por el lanzamiento de Sierra Mist en el cuarto trimestre. El crecimiento de volumen en el negocio de bebidas no carbonatadas de PepsiAmericas fue impulsado por el agua embotellada Aquafina, con un volumen de casi 30 por ciento superior al año anterior. El crecimiento en ingresos domésticos en el 2001 debe ser impulsado por volúmenes de cola constantes a moderadamente crecientes, así como por incrementos significativos en el volumen de bebidas de sabores y no carbonatadas.

Mayores inversiones en equipo para botellas frías. Seguimos invirtiendo y reportando buenos resultados procedentes del área con mejor margen y mejor crecimiento del negocio de bebidas frías, con un crecimiento global de aproximadamente cinco por ciento en 2000. También continuamos ampliando nuestra capacidad y disponibilidad de paquetes PET.

Mejoras operativas en Europa Central y el Caribe. Los resultados operativos en nuestros mercados internacionales han mejorado. Europa Central redujo sus pérdidas operativas y Polonia reportó por primera vez ganancias, con márgenes EBITDA cercanos a nuestra media corporativa. Aunque es alentador, no estamos satisfechos con el desempeño en estos mercados. El desafío que enfrentamos en Europa Central es definir un “campo de acción” más amplio, participando en todas las categorías de bebidas de crecimiento y creando el sistema de distribución idóneo para el mercado europeo.

En el Caribe, también mejoramos nuestros resultados en 2000, especialmente en Puerto Rico, aunque seguimos estando expuestos a la presión de la competencia. PepsiAmericas espera seguir añadiendo territorios en el Caribe y nuestro objetivo es llegar a tener actividades en toda la región.

Estrategias y Perspectivas

PepsiAmericas tiene cuatro estrategias para impulsar el crecimiento y valor agregado para el accionista. A saber: (1) Hacer crecer el volumen dando un fuerte apoyo a nuestras marcas Pepsi-Cola, potenciadas por el crecimiento en sabores, bebidas no carbonatadas e inversiones en el canal de bebidas frías; (2) Mejorar la eficacia impulsando los ahorros procedentes de la integración por fusión y reduciendo los gastos fijos; (3) Adquirir territorios domésticos contiguos conforme estén disponibles estas oportunidades; (4) Ampliar y mejorar la rentabilidad a nivel internacional participando en todas las categorías de bebidas de crecimiento y racionalizando la distribución.

En 2001, esperamos que el crecimiento del volumen doméstico evolucione a la par con el crecimiento de la industria, de tres a cuatro por ciento, con un ligero crecimiento en bebidas de cola, crecimiento de cuatro por ciento en sabores, y crecimiento de nueve por ciento en bebidas no carbonatadas. Pronosticamos que nuestros mercados domésticos serán la fuente de nuestros incrementos en ingresos durante los próximos tres a cinco años. En el plano internacional, anticipamos un crecimiento de ocho por ciento en volumen en nuestros territorios de Europa Central y el Caribe. Por consiguiente, a largo plazo, pronosticamos que el énfasis se desplazará hacia nuestros negocios internacionales, los cuales pasarán a ser una fuente cada vez más significativa de nuestro crecimiento.

Estamos difundiendo eficiencias a través de todas nuestras actividades y esperamos que los márgenes y ganancias mejoren en todos nuestros mercados en 2001, especialmente en los mercados internacionales. También hemos identificado ahorros resultantes de la fusión. En 2001, los ahorros iniciales serán equilibrados por los costos de integración, pero esperamos alcanzar ahorros de aproximadamente \$16 millones gracias a la integración, primordialmente en 2002 y 2003. En los próximos años esperamos alcanzar tasas de crecimiento de cinco a seis por ciento en ventas, 18 a 22 por ciento en beneficios por acción y 8 a 10 por ciento en EBITDA y esperamos triplicar el flujo de efectivo libre.

En conclusión, estamos muy emocionados con respecto a nuestro futuro. Quiero expresar mi agradecimiento a todos aquellos que forman parte de la organización PepsiAmericas. El esfuerzo y dedicación que han desplegado durante la fusión son testigo de nuestra orientación y dinamismo y serán la base de nuestro éxito. Considero alentador nuestro desempeño en 2000, y me siento emocionado ante nuestras oportunidades de crecimiento y ante la perspectiva de convertir ese crecimiento en valor agregado para todos nuestros accionistas.

Naším akcionářům

Dne 30. listopadu společnost Whitman Corporation koupila společnost PepsiAmericas, čímž se dostala na první místo mezi hlavními stáčinami v rámci systému Pepsi. Tato kombinace je důležitým strategickým krokem a přináší výhody oběma společnostem. Pro společnost Whitman tato fúze poskytuje významné možnosti růstu, zvýšení prodeje a manažerský tým, který se soustředí výhradně na průmysl výroby nápojů. Pro akcionáře bývalé společnosti PepsiAmericas tato kombinace přináší výhody spojené s velkovýrobou a představuje silnější nástroj růstu. Sloučená společnost nedávno přijala název PepsiAmericas.

Jsme činní v silném a dynamickém průmyslu, kde naše výrobky tvoří součást každodenního života. Společnost PepsiAmericas má skutečně partnerské vztahy se společností Pepsi Cola Company a máme silný manažerský tým, který sdílí stejné osobní i profesionální cíle. Společnost PepsiAmericas má dvě zásadní přednosti, na kterých jsme vystavěli naše plány růstu – sortiment stávajících výrobků s nedostižnou značkovou identitou a distribuční systém, který je schopen dodávat výrobky spotřebitelům skutečně kdykoli a kdekoli. Jak tato zpráva zdůrazňuje, vyrábíme, prodáváme a dodáváme široký sortiment nealkoholických nápojů žádaných našimi spotřebiteli. Zaměřili jsme se na růst prodeje a zisku s lepší návratností a pohybem hotovosti v následujících několika letech, přičemž jsme v tomto směru udělali v roce 2000 pokrok. Naším cílem pro novou společnost PepsiAmericas je být tou nejvýkonnější nápojářskou společností na světě.

Nejvýznamnější události roku 2000

Výsledky za rok 2000 odrážejí zdokonalení jak pro společnost Whitman, tak i pro společnost PepsiAmericas samostatně. Vykázané výsledky byly z velké části dosaženy díky akvizici společnosti PepsiAmericas na konci listopadu a akvizicemi uskutečněnými společností Whitman a bývalou společností PepsiAmericas v letech 1999 a 2000. Letošní pokrok je nejlépe patrný porovnáním výsledků společnosti na základě neměnných územních celků. Z toho důvodu jsou mé připomínky i čísla uvedená v provozním přehledu založeny na odhadech rok 1999 a 2000. Tyto odhadované výsledky, předpokládající akvizici společnosti PepsiAmericas jakož i další akvizice a rozdělení, byly připraveny na začátku roku 1999. (Odhadované výsledky jsou zdůrazněny na vnitřní straně obálky.) Rozbor našich vykázанных výsledků naleznete v části Management's Discussion and Analysis (Diskuse a rozbor managementu), počínaje stranou 19.

Na základě odhadu byla čistá tržba společnosti PepsiAmericas 3,1 miliard USD, o 2,8 procenta více než 3,0 miliardy USD v roce 1999. Provozní příjem za rok 2000 činil 274,5 miliónů USD, což představuje nárůst o 16,2 procent v porovnání s 236,3 milióny USD v roce 1999. EBITDA (nezdaněný a nezúročený výdělek) za týž rok činil 467,2 miliónů USD, což je o 9,6 procent více než 426,1 miliónů USD v roce 1999. Příjem z kontinuálního provozu činil 84,3 miliónů USD, neboli 0,54 USD na kmenovou akcii, což představuje nárůst o 23,1 procent v porovnání s 68,5 milióny USD neboli 0,43 USD na kmenovou akcii v roce 1999.

V roce 2000 činily odhadované kapitálové výdaje 197 miliónů USD v porovnání s 219 milióny USD za rok 1999. Více než polovina těchto částek představuje kontinuální investice do naší strategie stáčení studených nápojů. Volný pohyb hotovosti v roce 2000 činil 24 miliónů USD, v porovnání s 2 milióny USD v roce 1999.

Přehled obchodní činnosti

Odhadované výsledky společnosti PepsiAmericas za rok 2000 se zakládaly na čtyřech okolnostech. Za prvé vyšší cenové úrovně a přizpůsobení se spotřebitelů vyšším maloobchodním cenám; za druhé pokračující nárůst a posilování našeho sortimentu neperlivých nápojů a nápojů s příchutěmi; za třetí kontinuální investice do stáčení studených nápojů; a za čtvrté lepší výsledky našeho mezinárodního obchodu.

Vyšší cenové úrovně ve všech oblastech. V průběhu roku vyšší ceny v tomto průmyslu znamenaly zvýšení pro společnost PepsiAmericas o téměř pět procent v domácím obchodu na jednotkovém základě. Vyšší ceny se jasně odrazily v domácím objemu, který tento rok lehce poklesl. Ačkoli bychom si přáli vyšší výkonnost co se týče objemu, disciplína, na kterou jsme museli přistoupit v naší cenové strategii v rámci všech trhů, nás dobře připravila pro rok 2001. Kromě toho se objemová výkonnost začala ke konci roku zlepšit, neboť spotřebitelé se přizpůsobili novým cenovým úrovním.

Rozšíření sortimentu neperlivých nápojů a nápojů s příchutěmi. Pro růst domácího objemu za rok 2000, co se týče nápojů s příchutěmi bylo význačné zavedení nápoje Sierra Mist ve čtvrtém čtvrtletí. Pro růst objemu neperlivých nápojů společnosti PepsiAmericas byla nejdůležitější stáčená voda Aquafina, s nárůstem objemu za tento rok o téměř 30 procent. Domácí nárůst prodeje za rok 2001 by měl do značné míry záležet na neměnném či mírně rostoucím objemu nápojů typu cola, jakož i na značném nárůstu objemu v oblasti neperlivých nápojů a nápojů s příchutěmi.

Zvýšené investice do stáčení studených nápojů. I nadále vkládáme investice a zaznamenáváme dobré výsledky v našem obchodním odvětví studených nápojů, které má vyšší marži a vyšší nárůst, který za celý rok 2000 činí přibližně pět procent. Kromě toho i nadále rozšiřujeme svoji kapacitu a dostupnost balení PET.

Zlepšení provozu po celé střední Evropě a v karibské oblasti. Provozní výsledky se na našich mezinárodních trzích zlepšily. Střední Evropa snížila své provozní ztráty a Polsko poprvé vykázalo provozní zisk s maržemi EBITDA (nezdaněný a nezúročený výdělek), které se blížily našemu celopodnikovému průměru. Ačkoli jsou výsledky na těchto trzích povzbudivé, nejsme s nimi spokojeni. Naším problémem ve střední Evropě je definovat širší "hráčské území", což znamená účast na všech rostoucích kategoriích v nápojářském průmyslu, a vytvoření vhodného distribučního systému pro evropský trh.

V karibské oblasti jsme za rok 2000 také zaznamenali lepší výsledky, zejména v Portoriku, ačkoli i nadále pociťujeme tlak konkurence. Společnost PepsiAmericas očekává další pokračování rozvoje v karibské oblasti a naším cílem je zavést provoz v celé oblasti.

Strategie a perspektivy

Společnost PepsiAmericas má k dosažení růstu a hodnoty pro akcionáře čtyři strategie. Jedná se o: (1) zvýšení objemu podporováním našich značkových výrobků Pepsi-Cola, umocněné nárůstem v oblasti neperlivých nápojů a nápojů s příchutěmi a nárůstem investic v oblasti studených nápojů; (2) zvýšení efektivnosti získáním úspor v důsledku integrace v rámci fúze a lepším využitím pevných nákladů; (3) získávání souvisejících domácích teritorií, jakmile se takové příležitosti naskytnou; (4) rozšíření a zdokonalení ziskovosti v mezinárodním měřítku účasti ve všech kategoriích nápojářského průmyslu a racionalizací distribuce.

V roce 2001 očekáváme nárůst domácího objemu o tři až čtyři procenta v souladu s nárůstem v rámci celého průmyslu, s mírným nárůstem pro nápoje typu cola, nárůstem nápojů s příchutěmi o čtyři procenta, a neperlivých nápojů o devět procent. Očekáváme, že naše domácí trhy budou hlavním zdrojem růstu našich výdělků po dobu dalších tří až pěti let. V mezinárodním obchodu očekáváme osmiprocentní nárůst objemu ve střední Evropě a v karibské oblasti. V souladu s tím očekáváme, že dlouhodobě se náš důraz přeneseme na mezinárodní obchod, který bude stále důležitějším zdrojem našeho růstu.

Zavádíme efektivní provoz v rámci celého podniku a očekáváme, že marže i návratnost se v roce 2001 zlepší na všech našich trzích, zejména pak na mezinárodních trzích. Dále jsme identifikovali úspory dosažené díky fúzi. V roce 2001 budou původní úspory kompenzovány náklady na integraci, ale očekáváme realizaci úspor v rámci integrace v přibližně hodnotě 16 miliónů USD, zejména v letech 2002 a 2003. V příštích několika letech očekáváme průměrný nárůst o pět až šest procent co se týče tržby, 18 až 22 procent co se týče výdělku, 8 až 10 procent co se týče EBITDA (nezdaněný a nezúročený výdělek), a očekáváme trojnásobení volného pohybu hotovosti.

Na závěr chci říci, že naše budoucnost v nás všech vyvolává vzrušení. Chci poděkovat každému, kdo je součástí organizace PepsiAmericas. Jejich tvrdá a obětavá práce během fúze svědčí o našem soustředění a odhodlání a bude příčinou našeho úspěchu. Naš výsledky za rok 2000 je pro mne povzbudivý a těšim se na naše příležitosti k růstu a na možnost přeměnit tento růst v hodnotu pro všechny akcionáře.

Naším akcionárom

Dňa 30. novembra 2000 spoločnosť Whitman Corporation kúpila spoločnosť PepsiAmericas, čím získala vedúce postavenie medzi hlavnými plničmi nealkoholických nápojov v rámci systému Pepsi. Toto zlúčenie je dôležitým strategickým krokom a prináša výhody oboj spoločnostiam. Pre spoločnosť Whitman táto fúzia poskytuje významné možnosti rastu, zvýšenia predaja a manažérsky tím, ktorý sa zameria výhradne na priemysel výroby nápojov. Pre akcionárov bývalej spoločnosti PepsiAmericas táto kombinácia prináša výhody spojené s veľkovýrobou a predstavuje silnejší nástroj rastu. Zlúčená spoločnosť nedávno prijala názov PepsiAmericas.

Pôsobíme v silnom a vzrušujúcom priemysle, kde naše výrobky tvoria súčasť každodenného života. Vzťahy medzi spoločnosťami PepsiAmericas a Pepsi Cola Company sú založené na skutočnom partnerstve a obe majú silný manažérsky tím, ktorý zdieľa rovnaké osobné i profesionálne ciele. Spoločnosť PepsiAmericas má dve zásadné prednosti, na ktorých sme vystavali naše plány rastu - sortiment súčasných výrobkov s nedostihnou značkovou identitou a distribučný systém, ktorý je schopný dodávať výrobky spotrebiteľom skutočne kedykoľvek a kdekoľvek. Ako táto správa zdôrazňuje, vyrábame, predávame a distribuujeme široký sortiment nealkoholických nápojov žiadaných našimi spotrebiteľmi. Zamerali sme sa na rast predaja a zisku s lepšou návratnosťou a pohybom hotovosti v nasledujúcich niekoľkých rokoch, pričom sme v tomto smere urobili v roku 2000 pokrok. Naším cieľom pre novú spoločnosť PepsiAmericas je byť tou najvýkonnejšou spoločnosťou vyrábajúcou nealkoholické nápoje na svete.

Najvýznamnejšie udalosti roku 2000

Výsledky za rok 2000 odrážajú zlepšenie ako pre spoločnosť Whitman, tak i pre spoločnosť PepsiAmericas samostatne. Vykázané výsledky boli z veľkej časti dosiahnuté vďaka akvizícii spoločnosti PepsiAmericas na konci novembra a akvizíciami uskutočnenými spoločnosťou Whitman a bývalou spoločnosťou PepsiAmericas v rokoch 1999 a 2000. Tohoročný pokrok je najlepšie viditeľný porovnaním výsledkov spoločnosti na základe nemenných územných celkov. Z toho dôvodu sa moje pripomienky i čísla uvedené vo finančnom prehľade zakladajú na odhadoch za rok 1999 a 2000. Tieto odhadované výsledky, predpokladajúce akvizíciu spoločnosti PepsiAmericas i ďalšie akvizície a rozdelenia boli pripravené na začiatku roku 1999. (Odhadované výsledky sú zdôraznené na vnútornej strane obálky.) Rozbor našich vykázaných výsledkov nájdete v časti Management's Discussion and Analysis (Diskusia a rozbor managementu), počínajúc stranou 19.

Na základe odhadu boli čisté tržby spoločnosti PepsiAmericas 3,1 miliárd USD, o 2,8 percenta viac než 3,0 miliardy USD v roku 1999. Zisk pred zdanením za rok 2000 činil 274,5 miliónov USD, čo predstavuje nárast o 16,2 percent v porovnaní s 236,3 miliónmi USD v roku 1999. EBITDA (zisk pred úrokmi, zdanením a odpismi) za ten istý rok činil 467,2 miliónov USD, čo je o 9,6 percent viac než 426,1 miliónov USD v roku 1999. Zisk z pokračujúceho podnikania činil 84,3 miliónov USD, alebo 0,54 USD na kmeňovú akciu, čo predstavuje nárast o 23,1 percent v porovnaní s 68,5 miliónov USD, alebo 0,43 USD na kmeňovú akciu v roku 1999.

V roku 2000 činili odhadované kapitálové výdavky 197 miliónov USD v porovnaní s 219 miliónmi USD za rok 1999. Viac než polovica týchto čiastok predstavuje kontinuálne investície do našej stratégie výroby chladených nápojov. Cash-flow v roku 2000 činil 24 miliónov USD, v porovnaní s 2 miliónmi USD v roku 1999.

Prehľad obchodnej činnosti

Odhadované výsledky spoločnosti PepsiAmericas za rok 2000 sa zakladali na štyroch okolnostiach. Po prvé na vyššej cenovej úrovni a prispôbení sa spotrebiteľov vyšším maloobchodným cenám; po druhé na pokračujúcom náraste a posilňovaní nášho sortimentu neperlivých nápojov a nápojov s príchutami; po tretie na pokračujúcich investíciách do výroby chladených nápojov; a po štvrté na lepších výsledkoch našich medzinárodných operácií.

Vyššie cenové úrovne vo všetkých predajných kanáloch. V priebehu roka vyššie ceny v tomto priemysle mali na domácom trhu spoločnosti PepsiAmericas vplyv na zvýšenie ceny za balenie o takmer päť percent. Vyššie ceny sa jasne odrazili v domácom objeme predaja, ktorý tento rok mierne poklesol. Hoci by sme si priali vyššiu výkonnosť čo sa týka objemu predaja, disciplína, na ktorú sme museli pristúpiť v našej cenovej stratégii v rámci všetkých trhov, nás dobre pripravila na rok 2001. Okrem toho sa objemová výkonnosť začala ku koncu roka zlepšovať, lebo spotrebiteľia sa prispôbili novým cenovým úrovňam.

Rozšírenie sortimentu neperlivých nápojov a nápojov s príchutami. Pre rast domáceho objemu za rok 2000, čo sa týka nápojov s príchutami bolo význačné zavedenie nápoja Sierra Mist vo štvrtom štvrtroku. Pre rast objemu neperlivých nápojov spoločnosti PepsiAmericas bola najdôležitejšia plnená voda Aquafina, s nárastom objemu za tento rok o takmer 30 percent. Domáci nárast predaja za rok 2001 by mal do značnej miery spočívať v nennom či mierne rastúcom objeme nápojov typu cola i v značnom náraste objemu v oblasti neperlivých nápojov a nápojov s príchutami.

Zvýšené investície do výroby chladených nápojov. I naďalej vkladáme investície a zaznamenávame dobré výsledky v našom obchodnom odvetví chladených nápojov, ktoré má vyššiu obchodnú maržu a vyššiu mieru rastu, ktorá za celý rok 2000 predstavuje približne päť percent. Okrem toho i naďalej rozširujeme svoju kapacitu a dostupnosť balenia PET fliaš.

Zlepšenie obchodných výsledkov po celej strednej Európe a v karibskej oblasti. Výsledky nášho pôsobenia sa na našich medzinárodných trhoch zlepšili. Stredná Európa znížila svoje prevádzkové straty a Poľsko prvý raz vykázalo zisk pred zdanením s rozpätím EBITDA (zisk pred úrokmi, zdanením a odpismi), ktoré sa blížili nášmu celopodnikovému priemeru. Hoci sú výsledky na týchto trhoch povzbudzivé, neuspokojujú nás. Naším cieľom v strednej Európe je definovať širšie „ihrisko“, čo znamená účasť vo všetkých rastúcich kategóriách nealkoholických nápojov a vytvorenie vhodného distribučného systému pre európsky trh.

V karibskej oblasti sme za rok 2000 tiež zaznamenali lepšie výsledky, najmä v Portoriku, hoci i naďalej pociťujeme tlak konkurencie. Spoločnosť PepsiAmericas očakáva ďalšie pokračovanie rozvoja v karibskej oblasti a našim cieľom je rozšíriť pôsobenie do celej oblasti.

Stratégia a perspektívy

Spoločnosť PepsiAmericas má na dosiahnutie rastu a hodnoty pre akcionárov štyri stratégie. Ide o: (1) zvýšenie objemu podporovaním našich značkových výrobkov Pepsi-Cola, umocnené nárastom v oblasti neperlivých nápojov a nápojov s príchutami a nárastom investícií v oblasti chladených nápojov; (2) zvýšenie efektívnosti získaním úspor v dôsledku integrácie v rámci fúzie a lepším hospodárením s fixnými nákladmi; (3) získavanie súvislých domácych teritórií, akonáhle sa také príležitosti naskytú; (4) rozšírenie a zdokonalenie ziskovosti v medzinárodnom merítku účasťou vo všetkých rastúcich nápojových kategóriách a racionalizáciou distribúcie.

V roku 2001 očakávame nárast domáceho objemu o tri až štyri percentá v súlade s nárastom v rámci celého priemyslu, s miernym nárastom nápojov typu cola, nárastom nápojov s príchutami o štyri percentá a neperlivých nápojov o deväť percent. Očakávame, že naše domáce trhy budú hlavným zdrojom rastu našich príjmov po dobu ďalších troch až piatich rokov. V medzinárodnom obchode očakávameosempercentný nárast objemu v strednej Európe a v karibskej oblasti. V súlade s tým očakávame, že sa náš dôraz prenesie na medzinárodný obchod, ktorý bude stále dôležitejším zdrojom nášho rastu.

Kladíme dôraz na zefektívňovanie v rámci celého nášho podnikania a očakávame, že obchodné rozpätie i návratnosť sa v roku 2001 zlepši na všetkých našich trhoch, vrátane medzinárodných trhov. Ďalej sme identifikovali úspory dosiahnuté vďaka fúzii. V roku 2001 budú pôvodné úspory kompenzované nákladmi na integráciu, ale očakávame realizáciu úspor v rámci integrácie v približnej hodnote 16 miliónov USD, najmä v rokoch 2002 a 2003. V budúcich niekoľkých rokoch očakávame priemerný nárast o päť až šesť percent, pokiaľ ide o tržbu, 18 až 22 percent pokiaľ ide o zisk, 8 až 10 percent, pokiaľ ide o EBITDA (nezdanený a nezúročený príjem) a očakávame strojnásobenie cash-flow.

Na záver chcem povedať, že naša budúcnosť v nás všetkých vyvoláva nadšenie. Chcem poďakovať každému, kto je súčasťou organizácie PepsiAmericas. Ich tvrdá práca a obetavosť počas fúzie svedčia o našom sústreďení a odhodlaní a bude základom nášho úspechu. Náš výsledok za rok 2000 je pre mňa povzbudzivý a teším sa na naše príležitosti k rastu a na možnosť premeniť tento rast na hodnotu pre všetkých akcionárov.

Részvényeseinkhez

A Whitman Corporation 2000. november 30-án megvette a PepsiAmericas-t, létrehozva a Pepsi rendszer fő palackozó vállalatát. Az egyesülés mindkét cég számára fontos stratégiai lépés, amely számtalan előnnyel jár. A fúzió a Whitmannak jelentős gyarapodási lehetőségeket, nagyobb működési teret és kizárólagosan az üdítőital-iparra összpontosító vezetői gárdát nyújt, az előző PepsiAmericas cég részvénytulajdonosai számára pedig teret és eszközöket biztosít a további fejlődéshez. Az egyesített vállalat nemrég felvette a PepsiAmericas nevét.

Erős és izgalmas iparág a miénk, a termékeink a mindennapi élet részei. A PepsiAmericas igazi partnerkapcsolatot alakított ki a Pepsi Cola Company-val. Erős vezetői gárdánk minden tagja ugyanazon személyes és hivatali célokat vallja magáénak. Fejlesztési terveinket a PepsiAmericas két alapvető erősségére alapozzuk – a jelenlegi termékek portfóliójára, amelyre páratlan márkanév-ismertség és olyan forgalmazási rendszer jellemző, amellyel termékeinket szinte bármikor és bárhova el tudjuk juttatni megrendelőinkhez. Mint ahogy ezt ez a jelentés is hangsúlyozza, a vásárlók által keresett üdítőitalok széles választékát gyártjuk, értékesítjük és szállítjuk. A következő években célunk a fejlődés az élenjáró termékekben és a haszonban, a nagyobb nyereség és pénzforgalom. E célkitűzés elérésében előreléptünk 2000-ben. Célunk, hogy az új PepsiAmericas a világon a legjobban teljesítő üdítőital-vállalat legyen.

2000 fő jellemzői

A 2000. év eredményei javulást mutatnak mind a Whitman, mind a PepsiAmericas cég tekintetében. Eredményeinket nagyban befolyásolta a PepsiAmericas megvétele november végén, valamint Whitman és a korábbi PepsiAmericas 1999-ben és 2000-ben eszközölt vásárlásai is. Az idei évben megtett fejlődést legjobban az érzékeltné, ha a vállalat eredményeit egy állandó viszonyítási alapot figyelembe véve értékelnénk ki. Ezért az alábbi megjegyzéseim és az üzleti áttekintésben szereplő számok az 1999. és 2000. évre vonatkozó pro forma adatok. Ezek a pro forma eredmények feltételezik, hogy a PepsiAmericas megvásárlása, továbbá a többi vásárlás, illetve tulajdonjog átruházás 1999 elején fejeződött be. (A pro forma eredmények a belső borítón vannak megjelölve.) Az éves jelentésben szereplő eredmények elemzése megtalálható a Management's Discussion and Analysis c. részben, a 19. oldalon.

Pro forma alapon a PepsiAmericas nettó értékesítése 3,1 milliárd dollár volt, ez 2,8 százalékkal több, mint az 1999-ben elért 3,0 milliárd dollár. A működési eredmény 2000-ben 274,5 millió dollár volt, ez 16,2 százalékkal több, mint az 1999-ben elért 236,3 millió dollár. A pénzügyi költségek, adó és amortizáció előtti eredménye (EBITDA) erre az évre 467, 2 millió dollár; 9, 6 százalékkal több, mint az 1999-ben elért 426,1 millió dollár. A folytatólagos üzemelésből származó eredmény 84,3 millió dollár, illetve 54 cent a törzsrészvényekre, ez 23,1 százalékos növekedés az 1999. évi 68,5 millió dollár, illetve 43 cent törzsrészvényenkénti értékhez képest.

A pro forma tőkeberuházás 2000-ben 197 millió dollár volt, míg 1999-ben 219 millió dollár. Ennek több mint a fele az azonnali fogyasztásra szánt termékek stratégiájába befektetett tőke. A szabad pénzforgalom 2000-ben 24 millió dollár volt, 1999-ben 2 millió.

Üzleti áttekintés

A PepsiAmericas pro forma eredményeinek növekedése négy tényezőnek köszönhető. Az egyik tényező a magasabb árszínvonal és az a tény, hogy a vevők hozzászoktak a magasabb fogyasztói árakhoz, a második az ízesített és szénsavmentes üdítőital terméksalád erősödése, a harmadik az azonnali fogyasztásra szánt termékekbe való befektetés folytatása, negyedik pedig a nemzetközi teljesítményünk javítása.

Minden területen magasabb árszint. Az év során a iparágon belüli magasabb árszínvonal egységenként majdnem öt százalékos növekedést eredményezett a PepsiAmericas-nál. A magasabb árszint kihatott a belföldi forgalomra is, ami az egész évet tekintve kismértékű csökkenést eredményezett. Noha szerettünk volna nagyobb forgalmat elérni, az árképzési stratégiában felhasznált elv 2001-re minden piacon kedvező helyzetbe hozott bennünket. A forgalom is javulni kezdett az év vége felé, amikor a vásárlók hozzászoktak az új, magasabb árszínhez.

Ízesített és szénsavmentes üdítőitalok forgalmának növekedése. Az ízesített üdítőitalok forgalmának növekedését 2000-ben Sierra Mist bevezetése jellemezte a negyedik negyedévben. A PepsiAmericas szénsavmentes üzletágában az Aquafina palackozott víz lett a listavezető, ennek forgalma az év során majdnem 30 százalékkal nőtt. A belföldi árbevétel növekedést 2001-ben a cola termékek forgalmának szinten tartása, illetve kismértékű növelése, valamint az ízesített és szénsavmentes üdítőitalok forgalmának jelentős növekedése fogja vezetni.

A azonnali fogyasztásra szánt termékek eszközberuházások növelése. Tovább folytattuk a beruházásokat, kedvező eredményeket értünk el a bevétel és kiadás közti különbségek növekedése, valamint a hideg csatorna üzletág erősebb növekedése miatt. Körülbelül öt százalékos éves növekedést értünk el 2000-ben. A PET palackozásban tovább folytattuk a kapacitást és a lehetőségek bővítését.

Működés fejlesztése egész Közép-Európában és a Karib-térségben. Nemzetközi piacainkon javultak működési eredményeink. Közép-Európa csökkentette működési veszteségeit, Lengyelország először ért el működési hasznot, és a pénzügyi költségek, adó, osztalék és amortizáció előtti eredménye megközelítette a vállalati átlagunkat. Bár az eredmények biztatóak, mégse lehetünk elégedettek ezekkel a piacokkal a teljesítményével. Közép-Európában egy szélesebb „játéktér” kell kialakítanunk, ami annyit tesz, hogy minden növekvő üdítőital-kategóriában részt kell vennünk, és létre kell hoznunk a megfelelő forgalmazási rendszert az európai piacra.

A Karib-térségben is javítottuk az eredményeket 2000-ben, különösen Puerto Rico-ban, ennek ellenére érezzük a versenyhelyzet szorítását. A PepsiAmericas további területek megszerzését tervezi a Karib-térségben, célunk, hogy az egész térségben működjünk.

Stratégiák és kilátások

PepsiAmericas-nál négy stratégia ösztönzi a vállalat gyarapodását és a részvényérték növekedését. Ezek a következők: (1) Forgalom növelése a Pepsi-Cola márkanév erős támogatásával, az ízesített, szénsavmentes üdítőitalok növekedésével és beruházásokkal az azonnali fogyasztásra szánt termék csatornák területén ; (2) Hatékonyság növelése a vállalategyesítésből eredő megtakarítások és az állandó költségek megosztásának ösztönzésével; (3) Belföldi területek folyamatos megszerzése, amint azok elérhetővé válnak; (4) A profitképesség kiterjesztése és javítása nemzetközi szinten a növekvő üdítőital-kategóriákban való részvétellel és a forgalmazás ésszerűsítésével.

Terveink szerint 2001-ben a belföldi forgalom elérí az iparágra jellemző három-négy százalékos növekedést, a cola termékek kismértékű növekedésével, az ízesített italok négy százalékos és a szénsavmentes italok kilenc százalékos növekedésével. A következő, háromtól öt évig terjedő időszakban várakozásunk szerint a belföldi piacok lesznek elsődleges forrásai eredményeink növekedésének. Nemzetközileg nyolc százalékos forgalmonnövekedést várunk Közép-Európában és a Karib-térségben. Ennek megfelelően hosszú távon a hangsúly a nemzetközi piacainkra tevődik át, ezek lesznek a növekedés fő forrásai.

Minden üzleti tevékenységünkben a hatékonyságot szorgalmazzuk. Eredményeink növekedni fognak 2001-ben minden piacunkon, különösképpen a nemzetközi piacokon. A kezdeti megtakarításokat 2001-ben az integrációval járó kiadások ellentételezni fogják, de 2002-ben és 2003-ban várhatóan közel 16 millió dollár integrációs megtakarítást fogunk elérni. Az elkövetkező pár évben várhatóan öt-hat százalékos növekedést fogunk elérni az értékesítés terén, 18 - 22 százalékot az egy részvényre jutó nyereségben és 8 - 10 százalékot a pénzügyi költségek, adó és amortizáció előtti eredményben; a szabad pénzforgalom meg fog háromszorozódni.

Végezetül, mindnyájan nagyon izgatottan várjuk, mit hoz a jövő. Szeretnék köszönetet mondani mindenkinek, aki részese a PepsiAmericas szervezetnek. Az egyesülés során tanúsított kemény munkájuk és lelkesedésük élő bizonyítéka elkötelezettségüknek és céltudatosságuknak, és egyben sikereink biztosítéka. Büszke vagyok a 2000-ben elért eredményeinkre, és lelkesít a további fejlődés, és a lehetőség, hogy ezt a fejlődést minden részvényes számára értékké váltsuk át.

Do Naszych Akcjonariuszy

Whitman Corporation z dniem 30 listopada 2000 nabyła firmę PepsiAmericas. W ten sposób powstało wiodące przedsiębiorstwo produkujące, sprzedające i dystrybuujące napoje w systemie Pepsi. To połączenie jest ważnym strategicznym krokiem i jest korzystne dla obu firm. Dla Whitmana fuzja ta oznacza znaczne możliwości wzrostu, zwiększenie skali działania oraz koncentrację zespołu kierowniczego wyłącznie na branży napojów. Dla akcjonariuszy byłego PepsiAmericas fuzja powiększa skalę działania i daje większe możliwości rozwoju.

Obie połączone firmy przyjęły nazwę PepsiAmericas.

Działamy w prężnej i silnej branży, w której nasze produkty są częścią życia codziennego. Relacje firmy PepsiAmericas z firmą Pepsi Cola, oparte są na prawdziwym partnerstwie. Oba zespoły kierownicze nastawione są na te same cele osobiste i zawodowe. Plany rozwojowe PepsiAmericas zbudowane zostały na bazie dwóch mocnych stron – tzn. na asortymencie istniejących produktów z doskonale rozpoznawaną marką i na systemie dystrybucji, który umożliwia dostarczanie naszych produktów do klientów praktycznie zawsze i wszędzie. Jak podkreśla niniejszy raport, wytwarzamy, sprzedajemy i dostarczamy szeroki asortyment napojów, którego żądają nasi klienci. Mamy na celu wzrost obrotów, wielkości sprzedaży oraz marży, także ograniczenie kosztów kontrolowanych. Dodatkowo chcemy poprawić zwrot z inwestycji i przepływy gotówkowe w ciągu kilku następnych lat. Dokonałiśmy już znacznego postępu w kierunku osiągnięcia tych celów w roku 2000. Naszym celem jest, aby nowa firma PepsiAmericas stała się najlepiej prosperującą firmą w branży napojów na świecie.

Ważniejsze osiągnięcia w roku 2000

Zarówno Whitman jak i PepsiAmericas znacznie poprawiły swoje wyniki w roku 2000. Rezultaty, o których mowa były w znacznym stopniu spowodowane nabyciem przez Whitman PepsiAmericas pod koniec listopada 2000 r., a także przez inne przejścia Whitman i byłej PepsiAmericas w latach 1999-2000. Najłatwiej uzyskać wyraźny obraz tegorocznego postępu poprzez porównanie wyników firmy na stałym terytorium. W tym celu, moje komentarze, podobnie jak liczby podane w „Przeglądzie Działalności” będą oparte na liczbach pro forma za lata 1999 i 2000. Te wyniki pro forma zakładają, że przejście PepsiAmericas, jak również inne nabytki i przejścia były dokonane na początku 1999 roku. (Wyniki pro forma są wyszczególnione na wewnętrznej stronie tytułowej). Aby uzyskać analizę wyników rzeczywistych, należy się odnieść do Dyskusji i Analizy Kierownictwa, zaczynającej się na stronie 19.

Według danych pro forma, sprzedaż netto w PepsiAmericas wyniosła w 2000 roku \$3.1 miliarda, o 2.8 procent więcej niż w 1999r., kiedy to wyniosła \$3.0 miliarda. Zysk operacyjny za rok 2000 wyniósł \$274.5 miliona, czyli o 16.2 procent więcej niż w 1999r. (w 1999 roku wyniósł \$236.3 miliona). EBITDA za rok 2000 wyniósł \$467.2 miliona, o 9.6 procenta więcej niż w 1999 r. - \$426.1 milionów. Wpływ z kontynuowanych działań osiągnęły poziom \$84.3 milionów, lub też 54 centy na akcji, co stanowi wzrost o 23.1 procenta, w porównaniu z wynikami w 1999 r. odpowiednio \$68.5 miliona, lub 43 centami na akcji.

W 2000 r., wydatki kapitałowe pro forma wyniosły \$197 milionów, w porównaniu z \$219 milionami z roku 1999. Ponad połowę tych wielkości stanowią stałe inwestycje w sprzęt marketingowy. Przepływ wolnej gotówki w 2000 r. wynosił \$24 miliony w porównaniu z \$2 milionami w 1999.

Przegląd Biznesowy

Na wyniki pro forma PepsiAmericas w 2000 roku miały wpływ cztery czynniki:

- wyższy poziom cenowy i dostosowanie się klientów do wyższych cen detalicznych
- stały wzrost i wzmocnienie oferty naszych smakowych i niegazowanych napojów
- stałe inwestycje w strategię zimnej butelki
- poprawienie wyników działań międzynarodowych

Wyższe poziomy cenowe we wszystkich kanałach. W ciągu roku wyższe poziomy cenowe doprowadziły PepsiAmericas do prawie 5% wzrostu na jednostkę narynku krajowym. Wyższe ceny miały wyraźny wpływ na wielkość obrotu wewnętrznego, który nieznacznie spadł pod koniec roku. W sytuacji, gdy chcemy mieć lepsze osiągnięcia w wielkości sprzedaży, dyscyplina wprowadzona do polityki cenowej na wszystkich rynkach stawia nas w bardzo korzystnej pozycji na rok 2001. Co więcej, wyniki wielkości sprzedaży zaczęły się poprawiać pod koniec roku, kiedy konsumenci dostosowali się do nowych poziomów cenowych.

Rozwijające się napoje smakowe i niegazowane. Wewnętrzny wzrost wielkości sprzedaży w napojach smakowych w 2000 roku został szczególnie zaznaczony przez wprowadzenie napoju Sierra Mist w czwartym kwartale. Wzrost wielkości sprzedaży w branży napojów niegazowanych PepsiAmericas był zdominowany przez butelkowaną wodę Aquafina, gdzie wzrost wielkości sprzedaży sięgnął prawie w 30 % w ciągu roku. Wewnętrzny wzrost obrotów w 2001 powinien być napędzany przez stałe – bądź nieznacznie wzrastające – wolumen napojów typu cola, jak również przez znaczne zwiększenie wolumenów napojów smakowych i niegazowanych.

Zwiększone inwestycje w sprzęt marketingowy. Stałe inwestujemy i obserwujemy dobre wyniki ze zwiększonych marż, wyższego wzrostu w kanale gastronomicznym, z rocznym wzrostem około 5% w roku 2000. Kontynuujemy też rozwój naszych możliwości produkcyjnych i dostępności opakowań typu PET.

Poprawienie działań w Europie Centralnej i na Karaibach. Wyniki operacyjne na rynkach międzynarodowych poprawiły się. Europa Centralna zredukowała straty operacyjne, a Polska donosi o operacyjnych zyskach po raz pierwszy przy marżach EBITDA zbliżających się do średniej w naszej firmie. Chociaż są to wyniki zachęcające, nie jesteśmy zadowoleni z działań na tych rynkach. Naszym wyzwaniem w Europie Środkowej jest określenie szerszego pola działania, oznaczającego udział we wszystkich rosnących segmentach i stworzenie odpowiedniego systemu dystrybucji dla całego rynku europejskiego.

Na Karaibach również poprawiliśmy wyniki w roku 2000, szczególnie w Puerto Rico, chociaż nadal odczuwamy presję konkurencji. PepsiAmericas ma zamiar zdobywać dalsze terytoria na Karaibach, a naszym celem jest działanie w całym tym regionie.

Strategie i zamierzenia na przyszłość

PepsiAmericas ma cztery strategie budowania wzrostu i wartości akcji. Są to: (1) zwiększanie obrotów poprzez silne wsparcie dla marek Pepsi-Coli, wzmocnionych przez wzrost w napojach smakowych, niegazowanych i inwestycje w kanał gastronomiczny; (2) poprawianie wydajności poprzez wprowadzanie oszczędności wynikających z fuzji i obniżanie kosztów stałych; (3) przejęcie kolejnych terytoriów w USA, kiedy pojawiają się takie możliwości; (4) rozwój i poprawa dochodowości na rynkach międzynarodowych poprzez udział we wszystkich rozwijających się segmentach napojów i zrationalizowanie dystrybucji.

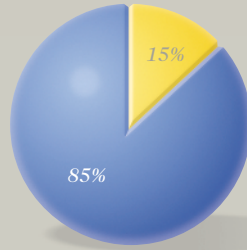
W roku 2001 spodziewamy się wewnętrznego wzrostu wolumenu, tak aby był on porównywalny ze wzrostem całej branży przemysłu tj. 3-4%, przy czym marki typu cola powinny nieznacznie wzrosnąć, napoje smakowe powinny wzrosnąć o 4%, a niegazowane o 9%. Oczekujemy też, że nasze rynki wewnętrzne będą głównym źródłem naszych dochodów przez następne 3 do 5 lat. Na rynkach międzynarodowych przewidujemy wzrost wolumenu o 8% w Europie Środkowej i na Karaibach, tak aby w dalszej perspektywie skoncentrować się na rynkach międzynarodowych, które staną się bardziej znaczącym źródłem naszego rozwoju.

Wspieramy wzrost efektywności w całej naszej organizacji i spodziewamy się, że marże i zyski poprawią się w 2001 roku na wszystkich naszych rynkach, a szczególnie na rynkach międzynarodowych. Określiłiśmy również oszczędności wynikające z fuzji. W roku 2001 wstępne oszczędności będą zrównoważone przez koszty związane z integracją, ale oczekujemy, że całkowite oszczędności osiągną około \$16 milionów, głównie w latach 2002 i 2003. Przez następne kilka lat oczekujemy wzrostu sprzedaży o 5-6%, 18-22% w zyskach na akcję, 8-10% w EBITDA oraz planujemy potroić wartość wolnego przepływu gotówki.

Podsumowując jesteśmy wszyscy bardzo entuzjastycznie nastawieni na to, co nas czeka w przyszłości. Chcę podziękować wszystkim, którzy są częścią organizacji PepsiAmericas. Ich ciężka praca i oddanie podczas fuzji są dowodem naszego skupienia i będą powodem naszego sukcesu. Nasze wyniki w roku 2000 są zachęcające i jestem pod wrażeniem naszych możliwości rozwoju i wizji zamiany tych możliwości na zyski naszych akcjonariuszy.

PepsiAmericas At-a-Glance

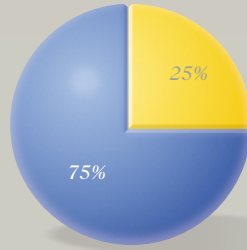
Domestic vs International Revenue



Currently, 85 percent of PepsiAmericas' revenue comes from our domestic business.

■ International
■ Domestic

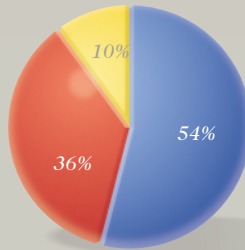
Domestic vs International Case Volume



Although domestic volume was flat in 2000, international volume was up 8.5 percent and the company expects growth of three-to-four percent.

■ International
■ Domestic

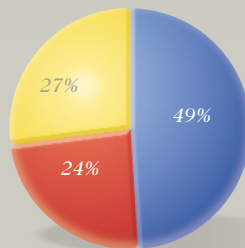
Domestic Category Mix



PepsiAmericas is well represented in each category with the number one or number two brand in every category.

■ Cola
■ Flavors
■ Non-Carbonated

International Category Mix



PepsiAmericas' international markets consist of Central Europe and the Caribbean. We have a 22 percent share of the market in Central Europe and 50 percent of the market in the Caribbean.

■ Cola
■ Flavors
■ Non-Carbonated

opportunities become available; (4) Expand and improve profitability internationally by participating in all growing beverage categories and rationalizing distribution.

“Our domestic markets will be the primary source of our growth for the next three to five years.”

*Kenneth E Keiser
President and
Chief Operating Officer
Domestic*

In 2001, we expect domestic volume growth to be in line with industry growth of three-to-four percent, with colas showing slight growth, flavors growing at four percent and non-carbonated beverages growing at nine percent. We expect our domestic markets to be the primary source of our earnings growth for the next three-to-five years. Internationally, we anticipate eight percent volume growth in our Central Europe and Caribbean territories. Accordingly, longer term, we expect the emphasis to shift to our international business which will increasingly become a more significant source of our growth.

We are driving efficiencies across our business and expect that margins and returns will improve in all of our markets in 2001, particularly international markets. We have also identified savings resulting from the merger. In 2001, initial savings will be offset by integration-related costs, but we expect to realize integration savings totaling approximately \$16 million, primarily in 2002 and 2003. Over the next few years, we are expecting average growth rates of five to six percent in sales, 18 to 22 percent in earnings per share and 8 to 10 percent in EBITDA and we expect to triple free cash flow.

In closing, we are all very excited about our future. I want to thank everyone that is a part of the PepsiAmericas organization. Their hard work and dedication during the merger are a testament to our focus and drive and will be the reason we succeed. I am encouraged by our performance in 2000, and am excited about our opportunities for growth and the prospect of translating that growth into value for all shareholders.



Robert C. Pohlman
Vice Chairman and
Chief Executive Officer

March 22, 2001

Our goal is to **make** superior products,

sell

them to thirsty people
everywhere,

deliver

improved operating results and

grow

shareholder value.

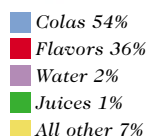
We make

a broad product portfolio
24 hours a day, seven days a week,
365 days a year.

Domestic

PepsiAmericas competes in cola, flavors and non-carbonated categories – with Pepsi brands having major representation in all segments. In 2000, domestic volume on a pro forma basis was 323 million cases down 2.5 percent as consumers adjusted to increased pricing. In 2001, we expect slight growth in colas, supported by promotional programs; four percent growth in flavors from both promotions and new products including the introduction of Pepsi Twist and Mountain Dew Code Red; and nine percent growth in non-carbonated beverages led by Aquafina and the integration of the SoBe line.

Domestic Product Mix

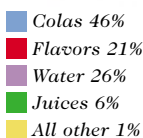


Central Europe

In Central Europe, PepsiAmericas' volume in 2000 increased 8.6 percent.

We operate across all beverage categories in these markets. Carbonated soft drinks account for 45 percent of the total soft drink beverage market, and local brands represent slightly more than half of this category. We intend to expand our representation in all beverage categories, including carbonated soft drinks, with a strong portfolio of brands.

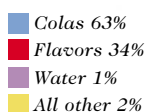
Central European Product Mix



Caribbean

PepsiAmericas continued to add to operations in the Caribbean in 2000. We acquired a 30 percent interest in Pepsi-Cola Bahamas Bottling Company Limited and acquired a majority interest in Pepsi-Cola Trinidad Bottling Company Limited. It is our goal to expand our beverage portfolio and grow volume across this region. Volumes in 2000 totaled 21 million cases. This territory grew volume at eight percent, and we anticipate similar growth in 2001.

Caribbean Product Mix





Everyday we deliver products in nine countries
to meet a variety of unique consumer tastes.

Domestic

The soft drink industry touches everyone and our portfolio of existing products has unequalled brand identity. Consumer tastes are changing as demographics change. Our challenge will be to continue to meet consumers' tastes with new and existing products and grow volume. In 2000, on a pro forma basis, domestic sales totaled \$2.7 billion, up 2.8 percent.



Central Europe

Our brand portfolio in Central Europe features Pepsi brands, but we anticipate continued development in key flavor categories that are very strong in this region. We also sell Toma, Hortex, Aqua Minerale and Rauch brands to consumers in Poland, Hungary, the Czech Republic and Republic of Slovakia. In 2000, sales in Central Europe were \$270 million, essentially flat compared with 1999, reflecting the impact of currency devaluation.

Caribbean

Our product offerings in the Caribbean include colas, water and juices. Sales in 2000 totaled \$154 million, up 9.3 percent from 1999. PepsiAmericas has an aggressive acquisition strategy in this region. We will continue to add to our product portfolio the brands consumers want, including Pepsi brands and local brands to round out our product offering.



We **sell** carbonated soft drinks, waters, juices and other beverages to more than 117 million consumers in three unique and growing markets.

3:00 p.m., Young demographics and warm temperatures
drive product sales in the Caribbean.



Domestic

In 2000, domestic operating income totaled \$300.5 million, up 9.4 percent from 1999. Channel package dynamics are a key part of PepsiAmericas' growth in profitability. Large format, small format and on-premise are the main venues for our distribution system. The large format segment was down 2.4 percent as a result of consumers adjusting to higher pricing. We anticipate growth to continue in all of these segments, with the large format channel accounting for approximately half of our volume growth in 2001.

2000 Bottle & Can Channel Mix

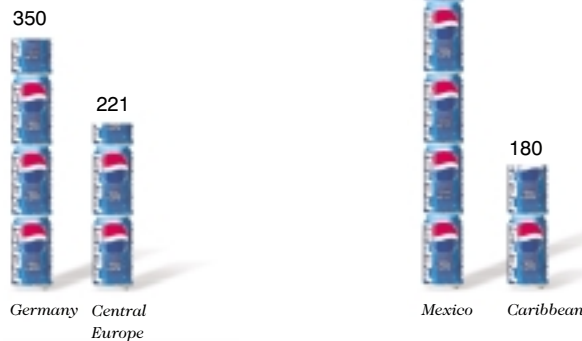


■ Large Format 60%
■ Small Format 22%
■ On Premise 18%

Central Europe

Central European operating losses declined to \$24.8 million in 2000, from \$32.3 million in 1999. We will continue to improve distribution efficiencies to drive earnings growth. Currently in Central Europe, annual per capita consumption is 221 8-oz. equivalent units for carbonated soft drinks. As the chart below shows, per capita consumption in Central Europe is lower than in Western Europe. Integral to PepsiAmericas driving per capita consumption will be increased availability. Per capita consumption has more than doubled since we started doing business there in 1994.

Carbonated Soft Drink 8-oz. Per Capita Consumption



Caribbean

Our Caribbean markets reported an operating loss of \$1.2 million in 2000, which improved from a loss of \$6 million in 1999. This improvement was driven by volume growth while reducing operating costs. The relatively young population base in the Caribbean, and a year-round warm climate, creates a natural market for soft drink beverage sales with little seasonal impact. Annual per capita consumption in the Caribbean is 180 8-oz. equivalent units. The largest driver of per capita growth in the Caribbean is availability. Our distribution system ensures that our products are available to consumers when and where they want them.

We
deliver

**consistent, high-quality products
in a variety**

of channels and packages.

3:00 p.m., In Warsaw, Poland or Warsaw, Missouri,
our distribution system insures on-time, accurate product orders.

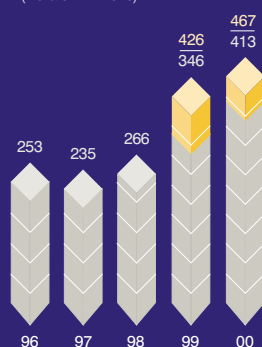


Financial Review

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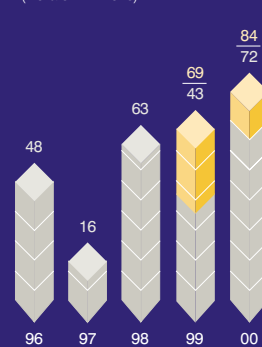
EBITDA

Before special charges and other non-recurring items
(Dollars in millions)



Income from Continuing Operations

(Dollars in millions)



Earnings Per Share

(Dollars in millions)



Income from continuing operations and earnings per share on a reported basis, shown in the charts above, include the impact of special charges and other non-recurring items. However, income from continuing operations on a pro forma basis, excluding the impact of special charges, other non-recurring items and discontinued operations, was \$69 million, or \$0.43 per common share, and \$84 million, or \$0.54 per common share, for the fiscal years 1999 and 2000, respectively.

◆ = As Reported ◆ = Pro Forma Unaudited

Selected Five-Year Financial Data

(in millions, except per share and employee data)

For the fiscal years	Pro Forma 2000	2000	1999	1998	1997	1996
Operating Results:	(unaudited)					
Sales:						
Domestic	\$ 2,680.8	\$ 2,242.8	\$ 1,951.4	\$ 1,534.0	\$ 1,445.3	\$ 1,436.4
International	424.1	284.8	186.8	83.5	93.5	50.3
Total	\$ 3,104.9	\$ 2,527.6	\$ 2,138.2	\$ 1,617.5	\$ 1,538.8	\$ 1,486.7
Operating income:						
Domestic	\$ 300.5	\$ 246.7	\$ 228.3	\$ 221.0	\$ 148.9	\$ 206.9
International	(26.0)	(23.7)	(46.8)	(17.2)	(18.7)	(12.1)
Total	274.5	223.0	181.5	203.8	130.2	194.8
Interest expense, net	(104.7)	(84.0)	(63.9)	(36.1)	(42.3)	(41.5)
Other income (expense), net	(1.6)	2.1	(46.0)	(15.5)	(18.0)	(25.6)
Income before income taxes						
and minority interest	168.2	141.1	71.6	152.2	69.9	127.7
Income taxes	83.9	69.6	22.1	69.7	37.9	61.1
Minority interest	—	—	6.6	20.0	16.2	18.8
Income from continuing operations	84.3	71.5	42.9	62.5	15.8	47.8
Income (loss) from discontinued						
operations after taxes	8.9	8.9	(51.7)	(0.5)	(11.7)	91.6
Extraordinary loss on early						
extinguishment of debt after taxes	—	—	—	(18.3)	—	—
Net income (loss)	\$ 93.2	\$ 80.4	\$ (8.8)	\$ 43.7	\$ 4.1	\$ 139.4
Cash dividends per share	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.20	\$ 0.45	\$ 0.41
Weighted average common shares:						
Basic	156.6	139.0	123.3	101.1	101.6	104.8
Incremental effect of stock options	1.0	0.5	0.9	1.8	1.3	1.2
Diluted	157.6	139.5	124.2	102.9	102.9	106.0
Income (loss) per share – basic:						
Continuing operations	\$ 0.54	\$ 0.51	\$ 0.35	\$ 0.62	\$ 0.16	\$ 0.46
Discontinued operations	0.06	0.07	(0.42)	(0.01)	(0.12)	0.87
Extraordinary loss on early debt						
extinguishment	—	—	—	(0.18)	—	—
Net income (loss)	\$ 0.60	\$ 0.58	\$ (0.07)	\$ 0.43	\$ 0.04	\$ 1.33
Income (loss) per share – diluted:						
Continuing operations	\$ 0.53	\$ 0.51	\$ 0.35	\$ 0.61	\$ 0.15	\$ 0.45
Discontinued operations	0.06	0.07	(0.42)	(0.01)	(0.11)	0.87
Extraordinary loss on early debt						
extinguishment	—	—	—	(0.18)	—	—
Net income (loss)	\$ 0.59	\$ 0.58	\$ (0.07)	\$ 0.42	\$ 0.04	\$ 1.32
Other Information:						
Total assets	\$ 3,335.6	\$ 3,335.6	\$ 2,864.3	\$ 1,569.3	\$ 2,029.7	\$ 2,080.6
Long-term debt	\$ 860.1	\$ 860.1	\$ 809.0	\$ 603.6	\$ 604.7	\$ 821.7
Capital investments	\$ 196.7	\$ 165.4	\$ 165.4	\$ 159.1	\$ 83.4	\$ 87.2
Depreciation and amortization	\$ 194.2	\$ 166.4	\$ 126.6	\$ 77.7	\$ 73.8	\$ 75.2
Number of employees	15,400	15,400	11,700	6,500	6,400	5,900

See Notes to Selected Five-Year Financial Data on page 18.

Notes to Selected Five-Year Financial Data

The previous table presents summary operating results and other information of PepsiAmericas, and should be read along with Management's Discussion and Analysis, the Consolidated Financial Statements and accompanying notes included elsewhere in this annual report.

The following were recorded during the periods presented:

- In 2000, the Company recorded special charges of \$21.7 million (\$13.2 million after taxes) for employee related costs of \$17.1 million in connection with the merger with the former PepsiAmericas, as well as charges of \$4.6 million for the closure of one of its existing production facilities to remove excess capacity.
- Income from discontinued operations in 2000 includes the reversal of prior accruals resulting from certain insurance settlements for environmental matters related to a former subsidiary, Pnuemo Abex, net of increased environmental and related accruals.
- In 2000, the Company sold its operations in the Baltics and recorded a gain of \$2.6 million (\$1.4 million after tax), which is reflected in "other income (expense), net."
- In 1999, the Company recorded special charges of \$27.9 million related to staff reduction costs and non-cash asset write-downs, principally related to the acquisition of the domestic and international territories from PepsiCo (see Note 5 to the Consolidated Financial Statements). These charges reduced domestic and international operating income by \$7.3 million and \$20.6 million, respectively.
- In 1999, the Company entered into a contract for the sale of property in downtown Chicago and recorded a charge of \$56.3 million (\$35.9 million after tax) to reduce the book value of the property. This pretax charge is reflected in "other income (expense), net."
- In 1999, the Company recorded a pretax gain of \$13.3 million (\$7.8 million after tax and minority interest), related to the sale of franchises in Marion, Virginia; Princeton, West Virginia and the St. Petersburg area of Russia. This pretax gain is reflected in "other income (expense), net."

- Loss from discontinued operations after taxes of \$51.7 million in 1999 includes after tax amounts related to a \$12 million settlement of environmental litigation filed against Pnuemo Abex, as well as increases of \$69.8 million in accruals related to the indemnification obligation to Pnuemo Abex, primarily for environmental matters.

- In 1998, the Company recorded an extraordinary loss, net of income tax benefits of \$10.4 million, resulting from the early extinguishment of debt (see Note 4 to the Consolidated Financial Statements).

- In 1997, the Company recorded special charges of \$49.3 million (\$31.6 million after tax and minority interest) related to the restructuring of the Company's organization, the severance of essentially all of the Whitman Corporate management and staff, and expenses associated with the spin-offs of Husmann and Midas (see Note 5 to the Consolidated Financial Statements). These charges reduced domestic and international operating income by \$45.6 million and \$3.7 million, respectively.

- In 1997, Husmann and Midas, which are classified as discontinued operations, recorded special charges with an after-tax cost of \$93.4 million (see Note 3 to the Consolidated Financial Statements).

- In 1996, the Company recorded an \$8.7 million charge, principally for asset write-downs at the Company's joint venture in Poland, which is included in "other income (expense), net."

Pro forma results are included for 2000. The pro forma results assume the merger with the former PepsiAmericas occurred at the beginning of the year and exclude non-recurring charges and credits recorded in 2000.

Management's Discussion and Analysis

Operating Results – 2000 compared with 1999

Due to the transaction with the former PepsiAmericas, Inc. completed in November 2000 and the transaction with PepsiCo completed in May 1999, the Company believes that pro forma results provide a better indication of current operating trends than reported results. Therefore, included within the following discussion are explanations of both reported and pro forma results.

(in millions)	Reported			Pro forma (unaudited)		
	2000	1999	% Change	2000	1999	% Change
Domestic	\$ 2,242.8	\$ 1,951.4	14.9	\$ 2,680.8	\$ 2,608.9	2.8
International	284.8	186.8	52.5	424.1	410.8	3.2
Total Sales	\$ 2,527.6	\$ 2,138.2	18.2	\$ 3,104.9	\$ 3,019.7	2.8

On a reported basis, net sales increased by \$389.4 million, or 18.2 percent, in 2000 compared with 1999, primarily reflecting sales contributed by the additional territories acquired in the transactions with the former PepsiAmericas and PepsiCo, as well as the acquisition of Toma in December 1999. The balance of the growth in net sales reflected improved pricing in the domestic markets offset by a decline in volume.

On a pro forma basis, net sales increased by \$85.2 million, or 2.8 percent. The growth in net sales includes an increase in domestic sales of \$71.9 million and an increase in international sales of \$13.3 million. The increase in domestic sales resulted from improved pricing, up nearly five percent, offset by a decline in volume, down 2.5 percent for the full year. Despite the decline in volume, principally the result of volume declines in trademark Pepsi products, Aquafina volume grew nearly 30 percent and lemon lime volume growth was bolstered by the introduction of Sierra Mist. The higher international sales resulted from improved volume, up 8.5 percent, offset by a decline in net pricing, down 4.6 percent. The lower net pricing in international is indicative of the currency devaluation impact in the Central European territories. The impact of currency devaluation is estimated to have reduced sales by approximately \$32 million in 2000 compared with the previous year.

Gross Profit. The consolidated gross profit margin on a reported basis decreased to 40.9 percent of sales in 2000 compared with 41.6 percent of sales in 1999. The domestic gross profit margin was essentially unchanged, while the international gross profit margin declined due to the inclusion of lower margin Toma products for the entire year in 2000 compared with only one month in 1999 and the unfavorable impacts of foreign currency. A portion of the product costs in the international operations is fixed in U.S. dollars and therefore was not favorably affected by currency devaluation.

On a pro forma basis operating results assume the acquisitions and divestitures, with the exception of Trinidad and Tobago, as well as any related transactions, completed in 1999 and 2000 occurred at the beginning of 1999. On a pro forma basis operating results also exclude the impact of special charges and other non-recurring items recorded in either year.

Net Sales. Net sales for 2000 and 1999 were as follows:

The consolidated gross profit margin on a pro forma basis decreased to 39.7 percent of sales in 2000 compared with 40.1 percent in 1999. The domestic gross profit margin improved slightly, while the international gross profit margin declined by 4.3 percentage points. The decline in the international gross profit margin is due to a portion of the product costs in the international operations being fixed in U.S. dollars as discussed previously.

Selling, Delivery and Administrative Expenses.

Reported selling, delivery and administrative ("SD&A") expenses represented 29.6 percent of sales in 2000, compared with 30.4 percent in 1999. The decline in the percentage of SD&A expenses is primarily attributable to the international operations, which reflects the benefits of currency devaluation on expenses as reported in U.S. dollars and the lower SD&A expenses incurred by the Toma operations. On a reported basis, Toma was included for only one month in 1999 due to the acquisition being completed on December 1, 1999.

On a pro forma basis, SD&A expenses as a percent of sales were 29.2 percent compared with 30.7 percent in 1999. The 150 basis point improvement was primarily the result of the benefits from currency devaluation experienced in Central Europe, which resulted in lower expenses as reported in U.S. dollars. In addition, SD&A expenses in the domestic operations reflected the benefits of cost reduction efforts begun in 1999 in domestic territories acquired from PepsiCo.

Special Charges. In 2000, the Company recorded special charges of \$21.7 million (\$13.2 million after tax), including \$17.1 million in costs for severance and other benefits and \$4.6 million of costs resulting from a decision to close the

Management's Discussion and Analysis

Company's production facility in Ft. Wayne, Indiana. The charge for the closure of the production facility included a write-down of building and equipment and \$0.5 million for severance payments and other benefits.

As a result of the actions taken with respect to the merger with the former PepsiAmericas, which resulted in the charges recorded in 2000, the Company expects to realize annual savings totaling approximately \$16 million, primarily in 2002 and 2003. This includes reduced employee related costs in both the existing territories and the territories acquired from the former PepsiAmericas and the benefits of centralized procurement through PepsiCo. A portion of the charges recorded in 2000 resulted from payments to former executives of the Company, which will not result in future savings or benefits.

In 1999, the Company recorded special charges of \$27.9 million (\$19 million after tax), including \$9.6 million of staff reduction costs, principally related to the acquisition of the domestic and international territories from PepsiCo; \$7.6 million of non-cash asset write-downs associated with the exit from the plastic returnable package in the Company's existing international territories; \$5.9 million of other asset write-downs principally related to the acquisition of the international territories from

PepsiCo; and a \$4.8 million write-down of the investment in the Baltic operations resulting from the Company's decision to seek the sale of those operations to a third party.

As a result of the actions taken resulting in the special charges of \$27.9 million, the Company expected to realize approximately \$18 to \$20 million in annual pretax savings, resulting principally from reductions in employee related costs. A substantial portion of these savings was realized in the year 2000. In 1999 and 1998, the Baltics had sales of \$6.1 million and \$5.4 million, respectively, and incurred operating losses of \$1.8 million and \$3.5 million, respectively.

During 2000 and 1999, the Company paid employee benefits of \$12.8 million and \$11.5 million, respectively. These benefits related to charges recorded in 1997, 1999 and 2000, which included the elimination of approximately 170 positions, 310 positions and 50 positions, respectively. The payments made during 2000 and 1999 included deferred severance payments made to previously terminated employees. At the end of fiscal year 2000, \$17.4 million of employee related costs were accrued. The Company expects to pay substantially all of these costs during the next twelve months and has included them in current liabilities.

Operating Income. Operating income for 2000 and 1999 was as follows:

(in millions)	Reported			Pro forma (unaudited)		
	2000	1999	% Change	2000	1999	% Change
Domestic	\$ 246.7	\$ 228.3	8.1	\$ 300.5	\$ 274.6	9.4
International	(23.7)	(46.8)	49.4	(26.0)	(38.3)	32.1
Total Operating Income	\$ 223.0	\$ 181.5	22.9	\$ 274.5	\$ 236.3	16.2

In 2000, operating income on a reported basis increased \$41.5 million, which primarily reflects the additional operating income contributed by the domestic territories acquired in 1999. The reported domestic operating income included special charges of \$21.7 million and \$7.3 million in 2000 and 1999, respectively. Excluding these charges, the domestic operating income increased \$32.8 million, or 13.9 percent. The operating income contributed by the acquired territories is primarily responsible for the improved results. The operating losses in 1999 reported by the international operations included special charges of \$20.6 million. Excluding the impact of these charges, operating losses were reduced by \$2.5 million. The improved trend in operating losses was the result of one month of operating results included for the Caribbean territories and improved results in Central Europe, despite the adverse impact of currency devaluation.

On a pro forma basis, operating income increased \$38.2 million in 2000 compared with 1999. The improvement included an increase of \$25.9 million in operating income in the domestic operations and a \$12.3 million reduction in operating losses in the international operations. The improved results in the domestic operations are principally the result of improved pricing in the domestic markets, offset by lower volumes, and cost reduction efforts initiated in the domestic territories acquired from PepsiCo. The domestic operating margins improved 70 basis points to 11.2 percent in 2000. On a pro forma basis in international, improvements occurred in both Central Europe and the Caribbean. The improvements reflect lower operating costs in Central Europe and improved gross profit margins in the Caribbean.

Interest and Other Expenses. Net interest expense increased \$20.1 million in 2000 to \$84 million. The increase was due principally to an increase in the average outstanding net debt resulting from the acquisitions completed during 1999 and 2000. In addition, increases in interest rates on the Company's floating rate debt and the three million shares of common stock repurchased in the first quarter of 2000 contributed to the increase in interest.

The Company reported other income of \$2.1 million in 2000 compared with other expense of \$46 million in 1999. Included in other income in 2000 is a gain of \$2.6 million resulting from the sale of the franchise operations in the Baltics, while other expense in 1999 included a \$56.3 million charge recorded to reduce the book value of non-operating real estate, as well as a \$13.3 million gain on the sale of franchise territories in connection with the transaction completed with PepsiCo in 1999. Absent these items, other expense decreased to \$0.5 million in 2000 compared with \$3 million in 1999. The decrease is not attributed to any individually significant item.

Discontinued Operations. Income from discontinued operations after taxes of \$8.9 million resulted from the reversal of prior accruals resulting from certain insurance settlements for environmental matters related to a former subsidiary, Pneumo Abex, net of certain increased environmental and related accruals. Loss from discontinued operations after taxes of \$51.7 million in 1999 includes after-tax amounts related to a \$12 million settlement of environmental litigation filed against Pneumo Abex, as well as increases of \$69.8 million in accruals for other environmental matters related to Pneumo Abex.

Environmental Liabilities. Environmental liabilities are discussed further in Note 16 to the Consolidated Financial Statements and within "Discontinued Operations" above.

Operating Results - 1999 compared with 1998

Net Sales. Net Sales increased \$520.7 million, or 32.2 percent, in 1999 to \$2.1 billion. On a reported basis, domestic sales increased \$417.4 million, or 27.2 percent, in 1999 compared with 1998, primarily reflecting the sales contributed by the acquired territories and improved pricing. Reported international sales increased by \$103.3 million to \$186.8 million due to sales contributed by the newly acquired Central European territories.

Gross Profit. The consolidated gross profit margin on a reported basis increased to 41.6 percent of sales in 1999, compared with 40.1 percent of sales in 1998. This increase principally reflected a 0.7 percentage point improvement in

domestic margins, driven by higher net selling prices and favorable channel mix, partially offset by lower margin channel and package mix of the domestic territories acquired in 1999. In addition, international margins were higher due to improvements in Poland, as well as the absence, during most of 1999, of the lower margin sales associated with the Russian operations, which were sold in March 1999.

Selling, Delivery and Administrative Expenses. Reported SD&A expenses represented 30.4 percent of sales in 1999, compared with 26.6 percent in 1998. This increase is due, in part: to higher depreciation expense as a result of increases in capital spending; higher 1999 field operating expenses to support the Company's cold bottle initiative; the higher cost structure in the territories acquired in 1999; incremental Year 2000 system remediation costs; costs to integrate the territories acquired in 1999; higher insurance expense; and strike costs incurred in 1999. Amortization expense increased by \$13.7 million due to the transaction with PepsiCo completed in 1999.

Operating Income. In 1999, operating income decreased by \$22.3 million, or 10.9 percent, to \$181.5 million compared with \$203.8 million in 1998. The decrease reflected the special charges recorded in 1999 of \$27.9 million. Excluding these charges, operating income increased \$5.6 million, or 2.7 percent. Domestic operating income increased \$7.3 million, or 3.3 percent, reflecting operating income contributed by the territories acquired in 1999, partially offset by special charges, higher SD&A expenses and increased amortization expenses. Reported international operating losses in 1999 include \$20.6 million of special charges resulting principally from the transaction with PepsiCo. Excluding these charges, reported operating losses increased \$9 million, or 52.3 percent, to \$26.2 million in 1999. The increase was principally attributable to operating losses of the Central European territories acquired in 1999.

Interest and Other Expenses. Net interest expense increased \$27.8 million to \$63.9 million. The increase was due principally to an increase in average outstanding net debt due to the acquisitions completed in 1999 and share repurchase activity.

Other expense in 1999 of \$46 million included the impairment charge on real estate owned by the Company and the gain realized on the sale of franchise territories to PepsiCo, as previously discussed. Absent these items, other expense decreased to \$3 million in 1999 compared with \$15.5 million 1998, due primarily to the termination of the management fee paid to PepsiCo and reduced real estate taxes on non-operating land.

Management's Discussion and Analysis

Discontinued Operations. The loss from discontinued operations in 1999, as previously discussed, relates to the Company's indemnification obligation resulting from the sale of Pneumo Abex, a former subsidiary. The loss from discontinued operations in 1998 of \$0.5 million includes one month of results from former subsidiaries, Hussmann and Midas, which were spun-off to shareholders on January 30, 1998. Prior to the spin-offs, Hussmann and Midas paid Whitman a total of \$434.3 million to settle intercompany indebtedness and pay special dividends.

Liquidity and Capital Resources

Net cash provided by continuing operations increased by \$144.3 million to \$326.1 million in 2000. The increase was due primarily to the cash provided by the securitization of receivables which contributed \$150 million of cash flow.

Investing activities during 2000 included proceeds from the sale of the franchises in the Baltics and \$69.2 million paid for acquisitions, including the transaction with the former PepsiAmericas and Trinidad and Tobago, and final payments related to Toma. Investing activities in 1999 included \$112 million of net proceeds from the sale of the franchise territories in connection with the PepsiCo transaction, as well as \$134.6 million of net cash paid for certain assets of domestic franchises contributed by PepsiCo, the Central European franchises acquired from PepsiCo, and the acquisition of Toma. The Company made capital investments of \$159.7 million, net of proceeds from asset sales, essentially unchanged from the capital expenditures, net of proceeds made in 1999. It is expected that capital spending in 2001, excluding potential acquisitions, will be higher than 2000 levels due to the acquisitions completed in 2000 and a full year of spending in those territories. However, the capital spending as a percent of sales is expected to decline slightly.

The Company's total debt increased \$191.1 million to \$1,373.4 million as of fiscal year end 2000, from \$1,182.3 million as of fiscal year end 1999. The increase principally resulted from debt of \$316.9 million assumed in the acquisition of the former PepsiAmericas. The additional debt assumed in that transaction was offset by the benefit of securitization of receivables, the proceeds of which were used to reduce short-term debt by \$150 million. The Company repurchased 3 million and 16.1 million shares of its common stock for \$35.7 million and \$290.1 million in 2000 and 1999, respectively. The Company paid cash dividends of \$5.5 million in 2000 based on an annual cash dividend of \$0.04, compared with \$8.8 million paid in 1999, based on a dividend rate of \$0.05 in the first quarter and \$0.01 in the last three quarters of 1999. The issuance of

common stock, including treasury shares, for the exercise of stock options resulted in cash inflows of \$27.1 million in 2000, compared with \$3.2 million in 1999. The increase in cash inflows in 2000 is due to shares issued to shareholders of the former PepsiAmericas under the share subscription rights (see Note 2 to the Consolidated Financial Statements).

The Company has a five-year revolving credit agreement with maximum borrowings of \$750 million. In addition, the Company has \$750 million under its commercial paper program. The revolving credit facility acts as a back-up for the commercial paper program; accordingly, the Company has a total of \$750 million available under the commercial paper program and revolving credit facility combined. Total commercial paper borrowings and money market loans were \$438.2 million as of the end of fiscal year 2000. During February and March 2001, the Company issued \$200 million and \$150 million of fixed rate notes with coupon rates of 5.95 percent due 2006 and 5.79 percent due 2013, respectively. The notes issued in March 2001, will be remarketed in March 2003, at which time the notes will be either mandatorily tendered and purchased by the underwriter or mandatorily redeemed by the Company. The proceeds from these issuances were used to repay outstanding commercial paper. The Company believes that with its existing operating cash flows, available lines of credit and potential for additional debt and equity offerings, the Company will have sufficient resources to fund its future growth and expansion.

Recently issued accounting pronouncements. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS Nos. 137 and 138, is applicable to the Company effective as of the beginning of fiscal 2001. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company will adopt SFAS No. 133, as amended, in the first quarter of 2001 and expects to recognize an asset for the fair value of unsettled aluminum hedges. The asset to be recognized is not significant.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and it is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and

collateral as of fiscal year end 2000. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures which are included in Note 8 to the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risks.

Commodity Prices. The risk from commodity price changes correlates to the Company's ability to recover higher product costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the soft drink business. In 1999, the Company began to use swap contracts to hedge price fluctuations for a portion of its aluminum requirements. Each contract hedges price fluctuations on a portion of the Company's aluminum can requirements over a specified period of time. Because of the high correlation between aluminum commodity prices and the Company's contractual cost of aluminum cans, the Company considers these hedges to be highly effective. As of fiscal year end 2000, the Company has hedged a portion of its future aluminum requirements.

Interest Rates. During 2000, the risk from changes in interest rates was not material to the Company's operations because a significant portion of the Company's debt issues were fixed rate obligations. The Company's floating rate exposure relates to changes in the six month LIBOR rate and the overnight Federal Funds rate. Assuming consistent levels of floating rate debt with those held as of fiscal year end 2000, including the impact of additional fixed rate debt issued in February 2001, a 50 basis point change in each of these rates would have an impact of approximately \$1.1 million on the Company's annual interest expense related to its floating rate obligations. The Company has from time to time used interest rate swaps and forward contracts to convert fixed rate debt to floating rate debt and to lock interest rates on debt issues. In 2000, the Company had short-term investments throughout a majority of the year, principally invested in money market funds and commercial paper, which were most closely tied to the overnight Federal Funds rate. Assuming a 50 basis point change in the rate of interest associated with the Company's short-term investments, interest income would not have changed by a significant amount.

Currency Exchange Rates. Because the Company operates in international franchise territories, it is subject to exposure resulting from changes in currency exchange rates. Currency exchange rates are influenced by a variety of economic factors including local inflation, growth, interest rates and governmental actions, as well as other factors.

The Company currently does not hedge the translation risks of investments in its international operations. Any positive cash flows generated have been reinvested in the operations, excluding repayments of intercompany loans from the manufacturing operations in Poland.

Non-U.S. operations are expected to represent about 15 percent of the Company's total operations in 2001 and represented about 11 percent in 2000. Changes in currency exchange rates impact the translation of the results of the international operations from their local currencies into U.S. dollars. If the currency exchange rates had changed by five percent in 2000, the Company estimates the impact on reported operating income would have been approximately \$3 million. This estimate does not take into account the possibility that rates can move in opposite directions and that gains in one category may or may not be offset by losses from another category.

Forward-Looking Statements

This annual report contains certain forward-looking statements that reflect management's expectations, estimates and assumptions, based on information available at the time this annual report was prepared. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, the following: competition, including product and pricing pressures; changing trends in consumer tastes; changes in the Company's relationship and/or support programs with PepsiCo and other brand owners; market acceptance of new product offerings; weather conditions; cost and availability of raw materials; availability of capital; labor and employee benefit costs; unfavorable interest rate and currency fluctuations; costs of legal proceedings; outcomes of environmental claims and litigation; and general economic, business and political conditions in the countries and territories where the Company operates.

These events and uncertainties are difficult or impossible to predict accurately and many are beyond the Company's control. The Company assumes no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Consolidated Statements of Income

(in millions, except per share data)

Fiscal years	2000	1999	1998
Sales	\$ 2,527.6	\$ 2,138.2	\$ 1,617.5
Cost of goods sold	1,494.2	1,248.7	968.5
Gross profit	1,033.4	889.5	649.0
Selling, delivery and administrative expenses	747.7	650.8	429.6
Amortization expense	41.0	29.3	15.6
Special charges	21.7	27.9	—
Operating income	223.0	181.5	203.8
Interest expense, net	(84.0)	(63.9)	(36.1)
Other income (expense), net	2.1	(46.0)	(15.5)
Income before income taxes and minority interest	141.1	71.6	152.2
Income taxes	69.6	22.1	69.7
Minority interest	—	6.6	20.0
Income from continuing operations	71.5	42.9	62.5
Income (loss) from discontinued operations after taxes	8.9	(51.7)	(0.5)
Extraordinary loss on early extinguishment of debt after taxes	—	—	(18.3)
Net income (loss)	\$ 80.4	\$ (8.8)	\$ 43.7
Weighted average common shares:			
Basic	139.0	123.3	101.1
Incremental effect of stock options	0.5	0.9	1.8
Diluted	139.5	124.2	102.9
Income (loss) per share – basic:			
Continuing operations	\$ 0.51	\$ 0.35	\$ 0.62
Discontinued operations	0.07	(0.42)	(0.01)
Extraordinary loss on early extinguishment of debt	—	—	(0.18)
Net income (loss)	\$ 0.58	\$ (0.07)	\$ 0.43
Income (loss) per share – diluted:			
Continuing operations	\$ 0.51	\$ 0.35	\$ 0.61
Discontinued operations	0.07	(0.42)	(0.01)
Extraordinary loss on early extinguishment of debt	—	—	(0.18)
Net income (loss)	\$ 0.58	\$ (0.07)	\$ 0.42
Cash dividends per share	\$ 0.04	\$ 0.08	\$ 0.20

The following notes are an integral part of these statements.

Consolidated Balance Sheets

(in millions, except per share data)

As of fiscal year end	2000	1999
Assets:		
Current assets:		
Cash and equivalents	\$ 51.2	\$ 114.5
Receivables, net of allowance of \$13.1 million - 2000 and \$8.2 million - 1999	203.0	265.1
Inventories:		
Raw materials and supplies	81.3	54.2
Finished goods	82.7	57.9
Total inventories	164.0	112.1
Other current assets	58.8	46.3
Total current assets	477.0	538.0
Investments	48.4	47.9
Property (at cost):		
Land	40.4	30.6
Buildings and improvements	302.2	253.7
Machinery and equipment	1,304.2	1,100.2
Total property	1,646.8	1,384.5
Accumulated depreciation	(642.1)	(552.8)
Net property	1,004.7	831.7
Intangible assets, net of accumulated amortization of \$203.6 million - 2000 and \$168 million - 1999	1,740.7	1,416.3
Other assets	64.8	30.4
Total assets	\$ 3,335.6	\$ 2,864.3

Liabilities and Shareholders' Equity:

Current liabilities:		
Short-term debt, including current maturities of long-term debt	\$ 513.3	\$ 373.3
Payables	199.1	194.7
Accrued expenses:		
Salaries and wages	50.2	36.6
Interest	17.0	16.8
Other	107.4	117.7
Total current liabilities	887.0	739.1
Long-term debt	860.1	809.0
Deferred income taxes	47.0	71.1
Other liabilities	88.1	102.9
Minority interest	3.9	—
Shareholders' Equity:		
Preferred stock (\$0.01 par value, 12.5 million shares authorized; no shares issued)	—	—
Common stock (\$0.01 par value, 350.0 million shares authorized; 167.3 million shares issued)	1,546.8	1,634.4
Retained income	151.6	76.7
Accumulated other comprehensive loss:		
Cumulative translation adjustment	(30.3)	(24.4)
Unrealized investment gain	1.6	2.1
Accumulated other comprehensive loss	(28.7)	(22.3)
Treasury stock (11.7 million shares - 2000 and 28.2 million shares - 1999)	(220.2)	(546.6)
Total shareholders' equity	1,449.5	1,142.2
Total liabilities and shareholders' equity	\$ 3,335.6	\$ 2,864.3

The following notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(in millions)

Fiscal years	2000	1999	1998
Cash Flows from Operating Activities:			
Income from continuing operations	\$ 71.5	\$ 42.9	\$ 62.5
Adjustments to reconcile to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	166.4	126.6	77.7
Deferred income taxes	14.7	(44.5)	23.7
Gain on sale of franchises	(1.4)	(7.8)	—
Special charges and real estate impairment	21.7	84.2	—
Cash outlays related to special charges	(12.8)	(11.5)	(24.4)
Other	0.6	7.2	13.4
Changes in assets and liabilities, exclusive of acquisitions and divestitures:			
Decrease (increase) in receivables	127.6	(44.5)	(39.0)
Decrease (increase) in inventories	(9.5)	9.6	(10.1)
Increase (decrease) in payables	(21.9)	22.6	40.5
Net change in other assets and liabilities	(30.8)	(3.0)	25.5
Net cash provided by operating activities of continuing operations	326.1	181.8	169.8
Cash Flows from Investing Activities:			
Proceeds from sales of franchises, net of cash divested	2.5	112.0	—
Franchises and companies acquired, net of cash acquired	(69.2)	(134.6)	—
Dividends from and settlement of intercompany indebtedness with Hussmann and Midas prior to spin-offs	—	—	434.3
Capital investments	(165.4)	(165.4)	(159.1)
Proceeds from sales of property	5.7	4.5	3.7
Purchases of investments	—	—	(18.2)
Proceeds from sales of investments and joint ventures	0.3	8.2	23.1
Net cash (used in) provided by investing activities	(226.1)	(175.3)	283.8
Cash Flows from Financing Activities:			
Net borrowings (repayments) of short-term debt	137.0	(14.4)	(1.5)
Proceeds from issuance of long-term debt	—	298.0	—
Repayment of long-term debt	(263.0)	—	(311.2)
Issuance of common stock	27.1	3.2	21.4
Treasury stock purchases	(35.7)	(290.1)	(37.7)
Cash dividends	(5.5)	(8.8)	(20.2)
Net cash used in financing activities	(140.1)	(12.1)	(349.2)
Net Cash Used in Discontinued Operations	(22.7)	(26.1)	(8.7)
Effects of Exchange Rate Changes on Cash and Equivalents	(0.5)	(1.4)	(0.5)
Change in Cash and Equivalents	(63.3)	(33.1)	95.2
Cash and Equivalents at Beginning of Year	114.5	147.6	52.4
Cash and Equivalents at End of Year	\$ 51.2	\$ 114.5	\$ 147.6

The following notes are an integral part of these statements

Consolidated Statements of Shareholders' Equity

(in millions)

	Common Stock		Retained Income	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount			Shares	Amount	
As of Fiscal Year End 1997	111.7	\$ 478.2	\$ 363.4	\$ (78.6)	(10.6)	\$ (223.3)	\$ 539.7
Comprehensive income:							
Net income			43.7				43.7
Other comprehensive income:							
Translation adjustments				2.6			2.6
Unrealized investment gain (net of tax expense of \$1.7 million)				3.2			3.2
Other comprehensive income							5.8
Total comprehensive income							49.5
Treasury stock purchases					(2.0)	(37.7)	(37.7)
Stock compensation plans	1.6	23.9	2.6		0.3	1.9	28.4
Special dividend distribution of Hussmann and Midas common stock		(2.3)	(295.2)	64.2			(233.3)
Dividends declared			(20.2)				(20.2)
As of Fiscal Year End 1998	113.3	499.8	94.3	(8.6)	(12.3)	(259.1)	326.4
Comprehensive loss:							
Net loss			(8.8)				(8.8)
Other comprehensive loss:							
Translation adjustments				(12.4)			(12.4)
Unrealized investment loss (net of tax benefit of \$0.7 million)				(1.3)			(1.3)
Other comprehensive loss							(13.7)
Total comprehensive loss							(22.5)
Treasury stock purchases					(16.1)	(290.1)	(290.1)
Common stock issued for acquisitions	54.0	1,134.0					1,134.0
Stock compensation plans		0.6			0.2	2.6	3.2
Dividends declared			(8.8)				(8.8)
As of Fiscal Year End 1999	167.3	1,634.4	76.7	(22.3)	(28.2)	(546.6)	1,142.2
Comprehensive income:							
Net income			80.4				80.4
Other comprehensive loss:							
Translation adjustments				(5.9)			(5.9)
Unrealized investment loss (net of tax benefit of \$0.3 million)				(0.5)			(0.5)
Other comprehensive loss							(6.4)
Total comprehensive income							74.0
Treasury stock purchases					(3.0)	(35.7)	(35.7)
Common stock issued for acquisition		(80.4)			17.4	327.3	246.9
Common stock issued under stock subscription rights and value of rights		(5.9)			1.7	32.1	26.2
Stock compensation plans		(1.3)			0.4	2.7	1.4
Dividends declared			(5.5)				(5.5)
As of Fiscal Year End 2000	167.3	\$ 1,546.8	\$ 151.6	\$ (28.7)	(11.7)	\$ (220.2)	\$ 1,449.5

The following notes are an integral part of these statements

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Principles of consolidation. On November 30, 2000, Whitman Corporation acquired PepsiAmericas, Inc. (the “former PAS”) and subsequently, in January, 2001, changed its name to PepsiAmericas, Inc. (“PAS”). The consolidated financial statements, which are comprised of all subsidiaries, include the results of operations of the former Whitman Corporation for all periods and of the former PAS from the date of its acquisition. All amounts included in the Notes to Consolidated Financial Statements pertain to continuing operations except where otherwise noted. See further discussion in Note 3.

Nature of operations. The Company manufactures, packages, sells and distributes carbonated and non-carbonated Pepsi-Cola beverages and a variety of other beverages in the United States, Central Europe and the Caribbean. The Company operates under exclusive franchise agreements with soft drink concentrate producers, including “master” bottling and fountain syrup agreements with PepsiCo, Inc. (“PepsiCo”) for the manufacture, packaging, sale and distribution of PepsiCo branded products. There are similar agreements with Cadbury Schweppes and other brand owners. The franchise agreements exist in perpetuity and contain operating and marketing commitments and conditions for termination. The Company also distributes alcoholic beverages (primarily Miller Brewing Company and Heineken brands) in a limited number of its territories pursuant to distributor agreements that contain provisions regarding the distribution and sale of alcoholic beverages.

Use of accounting estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the reported results.

Fiscal year. The Company’s fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31. The Company’s 2000, 1999 and 1998 fiscal years, each containing 52 weeks, ended December 30, 2000, January 1, 2000 and January 2, 1999.

Cash and equivalents. Cash and equivalents consist of deposits with banks and financial institutions which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

Inventories. Inventories are valued at the lower of cost (principally determined on the average method) or net realizable value.

Investments. Investments include real estate held for sale, principally at Illinois Center, a large single location. This mixed use development is located on the Chicago lakefront. In the second quarter of 1999, the Company entered into an agreement for the sale of this property and recorded a charge of \$56.3 million (\$35.9 million after tax) to reduce the book value of the property. This charge is reflected in other income (expense), net, on the Consolidated Statements of Income. The close of the sale is subject to the buyer obtaining zoning approval and financing. All other investments in real estate are carried at cost, which management believes is lower than net realizable value.

Derivative financial instruments. Due to fluctuations in the market prices for aluminum, the Company uses derivative financial instruments to hedge the price risk associated with anticipated aluminum can purchases, the prices of which are indexed to aluminum market prices. Realized gains and losses on aluminum hedge contracts are deferred until the related finished products are sold. The Company has also from time to time used derivative financial instruments to lock interest rates on debt issues and to convert fixed rate debt to floating rate debt. There were no such instruments outstanding as of fiscal year end 2000 or 1999.

Property. Depreciation is computed on the straight-line method. When property is sold or retired, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are recorded in other income (expense), net. Expenditures for maintenance and repairs are expensed as incurred. The approximate ranges of annual depreciation rates are 2.5 percent to 6.7 percent for buildings and improvements and eight percent to 20 percent for machinery and equipment.

Intangible assets. Intangible assets principally represent franchise rights, which are the excess of cost over fair market values of net tangible and identifiable intangible assets of acquired businesses. Such amounts generally are being amortized on a straight-line basis over 40 years. The principal factors considered in determining the use of a 40-year amortization period include: 1) the franchise agreements with PepsiCo and other brand owners are granted in perpetuity and provide the exclusive right to manufacture and sell the branded products within the territories prescribed in the agreements, and 2) the existing

and projected cash flows are adequate to support the carrying values of intangible assets. Intangible assets associated with international operations are not significant.

Carrying values of long-lived assets. The Company evaluates the carrying values of its long-lived assets, including intangible assets, by reviewing undiscounted cash flows by operating unit. Such evaluations are performed whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. If the sum of the projected undiscounted cash flows over the estimated remaining lives of the related assets does not exceed the carrying value, the carrying value would be adjusted for the difference between the fair value, based on projected discounted cash flows, and the carrying value.

Revenue recognition. Revenue is recognized when title to a product is transferred to the customer. Payments made to third parties as commissions related to vending activity are recorded as a reduction of revenues.

Bottler incentives. PepsiCo and other brand owners, at their sole discretion, provide the Company with various forms of marketing support. This marketing support is intended to cover a variety of programs and initiatives, including direct marketplace support, capital equipment-related programs and shared media and advertising support. Based on the objectives of the programs and initiatives, domestic marketing support is recorded as an adjustment to net sales or a reduction of selling, delivery and administrative expenses. Direct marketplace support is primarily the funding of sales discounts and similar programs by PepsiCo and other brand owners and is recorded as an adjustment to net sales. Capital equipment-related program funding is designed to support marketing equipment programs and is recorded within selling, delivery and administrative expenses. Shared media and advertising support is recorded as a reduction to advertising and marketing expense within selling, delivery and administrative expenses. Support in the Company's Central European operations is primarily recorded as a reduction in cost of goods sold. There are no conditions or other requirements which could result in repayment of marketing support received.

Advertising and marketing costs. The Company is involved in a variety of programs to promote its products. Advertising and marketing costs are expensed in the year incurred. Certain advertising and marketing costs incurred by the Company are reimbursed by PepsiCo and other brand owners in the form of marketing support. Advertising and marketing expenses were \$45.4 million, \$32.2 million and \$24.2 million in 2000, 1999 and 1998, respectively. These

amounts are net of support of \$30.5 million, \$37.7 million and \$22 million in 2000, 1999 and 1998, respectively.

Stock-based compensation. The Company uses the intrinsic value method of accounting for its stock-based compensation.

Income (loss) per share. Basic earnings per share are based upon the weighted-average number of common shares outstanding. Diluted earnings per share assume the exercise of all options and warrants which are dilutive, whether exercisable or not. The dilutive effects of stock options and warrants are measured under the treasury stock method.

Options and warrants to purchase 8,708,974 shares, 3,757,844 shares and 111,000 shares at an average price of \$18.23, \$20.83 and \$20.83 per share that were outstanding at the end of fiscal 2000, 1999 and 1998, respectively, were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the common shares.

Recently issued accounting pronouncements. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS Nos. 137 and 138, is applicable to the Company effective as of the beginning of fiscal 2001. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company will adopt SFAS No. 133, as amended, in the first quarter of 2001 and expects to recognize an asset for the fair value of unsettled aluminum hedges. The asset to be recognized is not significant.

In September, 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and it is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral as of fiscal year end 2000. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures which are included in Note 8.

Notes to Consolidated Financial Statements

2. Acquisitions and Divestitures

A. PAS acquisition as of November 2000

On November 30, 2000, the former PAS merged into a wholly-owned subsidiary of the Company. The former PAS was the third largest publicly-held U.S.-based Pepsi anchor bottler, with distribution rights in portions of Arkansas, Iowa, Louisiana, Minnesota, Mississippi, North Dakota, South Dakota, Tennessee and Texas. The former PAS also operated in Puerto Rico, the Bahamas and Jamaica and had certain rights and preferences for expansion of its business with PepsiCo, including further expansion in the Caribbean.

In connection with this acquisition, the Company issued 17.4 million shares of common stock and paid \$30.6 million to former PAS shareholders electing to receive cash for their shares of the former PAS. The value assigned to the shares issued in the merger was based on the average closing price for the period including the day immediately preceding and following the date the maximum number of shares to be issued was known, which occurred on November 22, 2000. Based upon the average price for this period, the value assigned to each share issued was \$14.167. The Company also assumed \$316.9 million in debt and recorded an increase in intangible assets of \$348.1 million. In addition, the Company issued 1.7 million shares of common stock at \$14.6125 per share under the terms of the share subscription rights issued to former PAS shareholders electing the earn-out provision. Including costs associated with the acquisition and debt assumed in the acquisition, the total purchase price was \$603.4 million. Details of the acquisition of the former PAS are as follows:

(in millions)

Acquisition costs:	
Common stock issued to former PAS shareholders	\$ 246.9
Cash paid to former PAS shareholders	30.6
Value of share subscription rights issued to former PAS shareholders	1.2
Transaction costs incurred by the former Whitman Corporation	7.8
Initial acquisition costs, excluding contingent payment	286.5
Allocation of acquisition costs:	
Fair value of net liabilities of the former PAS	(54.6)
Transaction costs incurred by the former PAS	(7.0)
	(61.6)
Excess of acquisition costs over fair value of net liabilities	\$ 348.1

Shareholders of the former PAS could elect to receive a lesser amount of shares at closing plus the right to receive in the future additional shares of the Company. This right is based on the former PAS business units achieving certain performance levels in the years 2000 through 2002. The total aggregate value of shares to be received in the future could be up to 0.1095 shares of Company common stock for each former PAS share held at the time of closing. Based upon the elections made, a total of 6.9 million additional shares of the Company could be issued in 2002 and 2003 if the performance levels are met. Issuance of such shares would result in an increase in intangible assets related to the acquisition.

In connection with this acquisition, cash paid, net of cash acquired, totaled \$21 million and the Company also funded \$32.5 million for the purchase of the preferred stock of Delta Beverage Group, a subsidiary of the former PAS. In addition, the Company recorded \$1.4 million of liabilities associated with the termination of approximately 100 employees of the former PAS as a result of the acquisition. A subsidiary of the former PAS is involved in a joint venture, which has resulted in the Company recording a minority interest liability for the joint venture partner's equity in the joint venture.

Pohlad Companies and PepsiCo hold interests in Dakota Holdings LLC which currently owns approximately 14.2 million shares of the Company's common stock.

B. New business relationship with PepsiCo as of May 1999

The Company entered into a new business relationship with PepsiCo in May 1999. As a part of the Amended and Restated Contribution and Merger Agreement (the "Agreement") with PepsiCo, on May 20, 1999 PepsiCo contributed certain assets of several domestic franchise territories to the Company, including Cleveland, Ohio; Dayton, Ohio; Indianapolis, Indiana; St. Louis, Missouri and portions of southern Indiana. The Company acquired PepsiCo's international operations in Hungary, the Czech Republic, Republic of Slovakia and Poland on May 31, 1999. In exchange for the territories acquired from and contributed by PepsiCo and the elimination of PepsiCo's 20 percent minority interest in the Company's subsidiary, Pepsi-Cola General Bottlers, Inc. ("Pepsi General"), the Company issued 54 million shares of its common stock to PepsiCo. As of fiscal year end 2000, PepsiCo holds, directly and indirectly, 57.3 million shares, or 36.8 percent, of the Company's outstanding common stock. In addition, the Company paid PepsiCo cash totaling \$133.7 million, assumed bank debt of \$42.3 million, and assumed

\$241.8 million of notes payable to PepsiCo, which were repaid on August 31, 1999. As part of the Agreement, the Company agreed to repurchase up to 16 million shares, or \$400 million of its common stock, whichever was less, during the 12-month period following the close of the transaction. The Company satisfied this repurchase commitment in 1999.

The Agreement provided for the Company to sell to PepsiCo its operations in Marion, Virginia; Princeton, West Virginia and the St. Petersburg area of Russia. On March 19, 1999, the Company completed the sale to PepsiCo of the franchises in Marion, Virginia and Princeton, West Virginia. The sale of the franchise in Russia was completed on March 31, 1999. Net proceeds from these sales were \$112 million and the Company recorded a pretax gain of \$13.3 million, which is reflected in other income (expense), net, on the Consolidated Statements of Income. The gain, after taxes and minority interest, was \$7.8 million.

Details of the acquired franchises, as adjusted during 2000 for the final valuation of property and certain other adjustments, are as follows:

(in millions)

Acquisition costs:	
Common stock issued to PepsiCo	\$ 1,134.0
Assumption of notes payable to PepsiCo	241.8
Elimination of PepsiCo's 20 percent minority interest in Pepsi General	(243.2)
Net acquisition costs	1,132.6
Less: fair value of net tangible assets acquired	89.5
Excess of acquisition costs over fair value of net tangible assets	\$ 1,043.1

Cash paid for this acquisition, net of cash acquired, totaled \$115.6 million. In connection with the acquisition of the Central European franchises from PepsiCo, the Company wrote down \$23.7 million of certain assets in the new territories, including equipment and other assets related to plastic returnable bottles to reflect the exit of that package. In addition, the Company recorded \$1.1 million of liabilities for certain employees who were terminated as a result of the acquisition. These items resulted in an increase in intangible assets related to the acquisition.

The acquisitions of the former PAS and the domestic and Central European territories have been accounted for under the purchase method; accordingly, the results of operations of the acquired territories have been included in the Company's consolidated financial statements since the dates of acquisition. The excess of the aggregate purchase price over the fair value of net assets acquired is being amortized on a straight-line basis over 40 years based on the reasons previously discussed.

C. Other acquisitions and divestitures

On December 29, 2000, the Company acquired the Pepsi bottling operations in Trinidad and Tobago. On December 1, 1999, the Company acquired Toma, a leading soft drink company in the Czech Republic. These acquisitions were accounted for under the purchase method; accordingly, the operating results of the acquired companies are included in the Company's consolidated financial statements since the dates of acquisition. The effect of these acquisitions, had they been made as of the beginning of 1999, would not have been significant to the Company's operating results, and consideration paid for these acquisitions was not significant. In the first quarter of 2000, the Company sold its operations in the Baltics. This sale resulted in a gain of \$2.6 million (\$1.4 million after taxes), which is reflected in other income (expense), net on the Consolidated Statements of Income. There were no other significant acquisitions or divestitures during 2000, 1999 or 1998.

D. Pro forma financial information (unaudited and in millions, except per share data)

The pro forma condensed consolidated results of continuing operations presented below for 2000 and 1999 assume the following:

- The territories and companies described above, with the exception of Trinidad and Tobago, were acquired or divested as of the beginning of fiscal 1999.
- The December 1999 acquisition by the former PAS of the soft drink business of Desnoes and Geddes, a Jamaican bottler of Pepsi-Cola products and other brands, is assumed to have occurred as of the beginning of fiscal 1999.
- The 16 million share repurchase commitment was completed as of the beginning of fiscal 1999.
- The after-tax gains from the divestiture of franchise territories in 2000 and 1999 were excluded.
- The special charges recorded in 2000 and 1999 were excluded, as well as other non-recurring items recorded by the Company and the former PAS.

Notes to Consolidated Financial Statements

- Interest expense has been adjusted to assume the interest rates in effect in both years for the Company would have been in effect for debt assumed from the former PAS business units.

- The effective tax rate, excluding special charges and non-recurring items, was approximately 50 percent in each year.

	2000	1999
Sales	\$ 3,104.9	\$ 3,019.7
Income from continuing operations, adjusted as described above	84.3	68.5
Per common share-basic	0.54	0.43
Per common share-diluted	0.53	0.43

The above pro forma results are for informational purposes only and may not be indicative of actual results that would have occurred had the transactions described taken place as of the beginning of fiscal 1999.

3. Discontinued Operations

Income from discontinued operations in 2000 includes the reversal of prior accruals resulting from certain insurance settlements for environmental matters (see Note 16) related to a former subsidiary of the Company, Pneumo Abex, net of certain increased environmental and related accruals. Loss from discontinued operations in 1999 includes after-tax amounts related to a second quarter \$12 million settlement of environmental litigation filed against Pneumo Abex, as well as second quarter and fourth quarter increases of \$30.8 million and \$39 million, respectively, in accruals for other environmental matters related to Pneumo Abex.

On January 30, 1998, the Company established Hussmann and Midas as independent publicly-held companies through tax-free distributions (spin-offs) to Whitman shareholders. Prior to the spin-offs, Hussmann and Midas paid Whitman \$240 million and \$194.3 million, respectively, to settle intercompany indebtedness and to pay special dividends. The spin-offs resulted in a reduction of shareholders' equity of \$233.3 million. Included in this amount is the elimination of \$64.2 million of accumulated other comprehensive loss representing cumulative translation adjustments of Hussmann and Midas as of the date of the spin-offs.

Combined financial information for discontinued operations in 2000, 1999 and 1998 is shown below:

(in millions)	2000	1999	1998
Sales and revenues of Hussmann and Midas	\$ —	\$ —	\$ 109.6
Loss from discontinued operations:			
Hussmann and Midas	\$ —	\$ —	\$ (0.5)
Previously discontinued operations	8.9	(51.7)	—
Income (loss) from discontinued operations	\$ 8.9	\$ (51.7)	\$ (0.5)
Income tax expense (benefit) included in income (loss) from discontinued operations	\$ 5.8	\$ (30.1)	\$ 0.1

4. Extraordinary Loss on Early Extinguishment of Debt

In January 1998, Whitman made a tender offer for any and all of its outstanding 7.625 percent and 8.25 percent notes maturing June 15, 2015, and February 15, 2007, respectively. In connection with the tender offer, Whitman repurchased 7.625 percent and 8.25 percent notes with principal amounts of \$91 million and \$88.5 million, respectively. The Company paid total premiums in connection with the tender offer of \$26.4 million and the remaining unamortized discount and issue costs related to repurchased notes were \$2.1 million. The Company also repaid a term loan and notes with principal amounts of \$50 million scheduled to mature in 1998 and 1999, notes due in 2002 with principal amounts of \$50 million and industrial revenue bonds of \$5 million due 2013. Costs associated with these repayments and the remaining unamortized issue costs were not significant. The Company recorded an extraordinary charge of \$18.3 million, net of income tax benefits of \$10.4 million, in the first quarter of 1998 related to these early extinguishments of debt.

5. Special Charges

In the fourth quarter of 2000, the Company recorded a special charge of \$21.7 million (\$13.2 million after taxes). The charge, related to the acquisition of the former PAS, included severance, related benefits and other payments to executives and employees of the Company totaling \$17.1 million. Further, in connection with the closure of its production facility in Ft. Wayne, Indiana, the Company recorded a charge of \$4.6 million, which included a write-down of building and equipment and \$0.5 million for severance payments and other benefits.

In the third quarter of 1999, the Company recorded a special charge of \$4.5 million (\$2.8 million after tax) for staff reduction costs in certain domestic markets.

In the second quarter of 1999, the Company recorded a special charge of \$23.4 million, which included \$18.6 million (\$11.4 million after tax) for staff reduction costs and non-cash asset write-downs, principally related to the acquisition of the domestic and international territories from PepsiCo. In addition, the Company announced it would seek the sale of the Baltic operations to a third party and recorded a write-down of the Company's investment by \$4.8 million, which is included in special charges.

In 1997, the Company recorded special charges totaling \$49.3 million, consisting of \$14.8 million to consolidate a number of the Company's domestic divisions, including reductions in staffing levels, and to write-down certain assets in its domestic and international operations, and \$34.5 million relating to the severance of essentially all of the former Whitman corporate management and staff and for expenses associated with the spin-offs. The final payments of severance and related benefits for the 1997 charges were made in January, 2000.

The following table summarizes the activity associated with special charges during the periods presented:

<i>(in millions)</i>	2000 Charges	1999 Charges	1997 Charges	Total
Accrued liabilities as of fiscal year end 1997			\$ 38.9	\$ 38.9
Expenditures:				
Employee related costs			(18.1)	(18.1)
Spin-off related costs and other			(6.3)	(6.3)
Total			(24.4)	(24.4)
Accrued liabilities as of fiscal year end 1998			14.5	14.5
Special charges:				
Asset write-downs associated with exit of plastic returnable bottle package in existing international territories		\$ 7.6		7.6
Other asset write-downs		5.9		5.9
Employee related costs		9.6		9.6
Write-down of Baltic operations		4.8		4.8
Total		27.9		27.9
Expenditures and asset write-downs:				
Asset write-downs		(18.3)		(18.3)
Expenditures for employee related costs		(5.3)	(6.2)	(11.5)
Total		(23.6)	(6.2)	(29.8)
Accrued liabilities as of fiscal year end 1999		4.3	8.3	12.6
Special charges:				
Employee related costs	\$ 17.6			17.6
Asset write-downs associated with Ft. Wayne production facility closure	4.1			4.1
Total	21.7			21.7
Expenditures and asset write-downs:				
Asset write-downs	(4.1)			(4.1)
Expenditures for employee related costs	(0.2)	(4.3)	(8.3)	(12.8)
Accrued liabilities as of fiscal year end 2000	\$ 17.4	\$ —	\$ —	\$ 17.4

Employee related costs of \$17.6 million recorded in 2000 include severance payments to employees affected by management changes related to the acquisition of the former PAS, including executives and other employees, as well as employees of the Ft. Wayne production facility.

These changes affected approximately 50 employees in total. Employee related costs of \$9.6 million recorded in the 1999 special charges include severance payments for management and staff affected by the consolidation of international headquarters and operations in Poland and management changes in certain domestic markets. The charges recorded in 1999 resulted in the elimination of approximately 310 positions, all of which have been eliminated as of fiscal year end 2000.

Notes to Consolidated Financial Statements

The accrued liabilities remaining as of fiscal year end 2000 are comprised of deferred severance payments and certain employee benefits. The Company expects to pay substantially all of the \$17.4 million of employee related costs, using cash from operations, during the next twelve months; accordingly, such amounts are classified as other current liabilities.

6. Interest Expense, Net

Interest expense, net, consisted of the following:

<i>(in millions)</i>	2000	1999	1998
Interest expense	\$ (85.8)	\$ (67.1)	\$ (46.4)
Interest income from			
Husmann and Midas	—	—	1.6
Other interest income	1.8	3.2	8.7
Interest expense, net	\$ (84.0)	\$ (63.9)	\$ (36.1)

Interest income from Husmann and Midas related to intercompany loans and advances. The related interest expense recorded by Husmann and Midas is included in loss from discontinued operations.

The loans and advances to Husmann and Midas were repaid to Whitman prior to the spin-offs of Husmann and Midas on January 30, 1998. See Note 3.

7. Income Taxes

Income taxes (benefits) related to continuing operations consisted of the following:

<i>(in millions)</i>	2000	1999	1998
Current:			
Federal	\$ 43.2	\$ 34.9	\$ 38.2
Non-U.S.	0.9	—	—
State and local	5.9	7.2	7.3
Total current	50.0	42.1	45.5
Deferred:			
Federal	18.5	(19.4)	22.0
Non-U.S.	(2.0)	1.5	(0.6)
State and local	3.1	(2.1)	2.8
Total deferred	19.6	(20.0)	24.2
Total income taxes	\$ 69.6	\$ 22.1	\$ 69.7

In the second quarter of 1999, as a result of the Central European territory acquisitions, the Company assessed certain previous tax positions related to its international operations and eliminated \$19.8 million of deferred tax liabilities recorded in prior periods. Beginning in the second quarter of 1999, the Company no longer defers the U.S. tax benefits on international losses. The table below reconciles the income tax provision for continuing operations at the U.S. federal statutory rate to the Company's actual income tax provision on continuing operations:

	2000		1999		1998	
<i>(in millions)</i>	Amount	%	Amount	%	Amount	%
Income taxes computed at the U.S. federal statutory rate on income from continuing operations excluding non-recurring items	\$ 56.1	35.0	\$ 48.3	35.0	\$ 53.3	35.0
State income taxes, net of federal income tax benefit	6.3	3.9	6.0	4.3	6.6	4.3
Non-deductible portion of amortization—intangible assets	13.2	8.2	9.2	6.7	4.4	2.9
Non-U.S. losses	(0.2)	(0.1)	0.4	0.3	6.6	4.3
Other items, net	1.5	1.0	2.1	1.5	(1.2)	(0.7)
Income tax on continuing operations, excluding non-recurring items	\$ 76.9	48.0	\$ 66.0	47.8	\$ 69.7	45.8
Tax benefit of special charges and elimination of deferred tax liabilities recorded in prior periods	(7.3)		(43.9)		—	
	\$ 69.6		\$ 22.1		\$ 69.7	

The Company has settled the Federal income tax audits with the IRS through the 1995 tax year. Adjustments to accruals resulting from these audits are reflected in “other items, net” in the table above.

Deferred income taxes are attributable to temporary differences which exist between the financial statement bases and tax bases of certain assets and liabilities. As of fiscal year end 2000 and 1999, deferred income taxes are attributable to:

<i>(in millions)</i>	2000	1999
Deferred tax assets:		
Non-U.S. net operating loss and tax credit carryforwards	\$ 99.1	\$ —
U.S. net operating loss and tax credit carryforwards	42.1	—
Provision for special charges and previously sold businesses	18.5	37.8
Lease transactions	8.1	10.5
Unrealized losses on investments	7.6	7.3
Pension and postretirement benefits	12.6	11.4
Deferred compensation	6.5	5.3
Other	19.9	8.8
Gross deferred tax assets	214.4	81.1
Valuation allowance on non-U.S. net operating loss and tax credit carryforwards	(99.1)	—
Net deferred tax assets	115.3	81.1
Deferred tax liabilities:		
Property	(93.5)	(79.3)
Intangible assets	(16.1)	(12.0)
Deferred state taxes	(7.5)	(6.2)
Non-U.S. branch activity	(1.2)	(0.8)
Other	(27.6)	(28.0)
Total deferred tax liabilities	(145.9)	(126.3)
Net deferred tax liability	\$ (30.6)	\$ (45.2)
Net deferred tax asset (liability) included in:		
Other current assets	\$ 16.4	\$ 25.9
Deferred income taxes	(47.0)	(71.1)
Net deferred tax liability	\$ (30.6)	\$ (45.2)

There currently is no undistributed non-U.S. income because the Company’s international operations have accumulated pretax losses. Pretax losses from international operations were \$32.9 million, \$45.3 million and \$20.6 million in 2000, 1999 and 1998, respectively. In connection with the acquisition of the former PAS, the Company became the successor to U.S. Federal net operating loss (“NOLs”) and tax credit carryforwards, as well as non-U.S. NOLs. The Company also has NOLs related to its Central European operations.

As of fiscal year end 2000, the U.S. NOLs were \$120.2 million and expire in 2003 through 2019, while the non-U.S. NOLs amounted to \$312.4 million. Utilization of U.S. and non-U.S. NOLs is limited by both the U.S. Internal Revenue Code and by various international tax laws. The Company has provided a full valuation allowance against the non-U.S. NOLs. This valuation allowance reflects the uncertainty of the Company’s ability to fully utilize these benefits given the limited carryforward periods permitted by the non-U.S. taxing jurisdictions. Any future adjustments to the NOLs succeeded to the Company in connection with the purchase of the former PAS will be recorded as an adjustment to intangible assets.

8. Sales of Receivables

In the fourth quarter of 2000, Whitman Finance, a special purpose entity, entered into an agreement (the “Securitization”) with a major U.S. financial institution to sell an undivided interest in its receivables. The agreement involves the sale of receivables by certain of the Company’s domestic subsidiaries to Whitman Finance, which in turn sells an undivided interest in a revolving pool of receivables to the financial institution. Costs related to this arrangement, including losses on the sale of receivables, are included in interest expense.

The facility was fully utilized as of fiscal year end 2000. As a result, receivables for which an undivided ownership interest was sold under the program totaled \$217.4 million and the cash proceeds from the sale totaled \$150 million. This resulted in a \$150 million reduction in the Company’s balances of receivables and short-term debt. The receivables were sold to the financial institution at a discount, which resulted in a loss of \$0.7 million. The retained undivided interest of \$63.1 million is included in receivables, at fair value. The fair value incorporates expected credit losses, which are based on specific identification of uncollectible accounts and application of historical collection percentages by aging category. Since substantially all receivables sold to Whitman Finance carry 30-day terms of payment, the retained interest is not discounted. The weighted-average key credit loss assumption used in measuring the retained interests at the date of the Securitization and as of fiscal year end 2000,

Notes to Consolidated Financial Statements

including the sensitivity of the current fair value of retained interests to immediate 10 percent and 20 percent adverse changes in the credit loss assumption areas follows:

(in millions)	As of fiscal year end 2000			
	Date of Securitization	Actual	10% adverse Change	20% adverse Change
Expected credit losses	3.3%	3.3%	3.6%	4.0%
Fair value of retained interests	\$ 66.7	\$ 63.1	\$ 62.4	\$ 61.5

The above sensitivity analysis is hypothetical and should be used with caution. Changes in fair value based on a 10 or 20 percent variation should not be extrapolated because the relationship of the change in assumption to the change in fair value may not always be linear. Whitman Finance's total delinquencies (receivables over 60 days past due) as of fiscal year end 2000 were \$9.8 million. Due to the timing of the Securitization, Whitman Finance's credit losses were not significant in 2000.

9. Debt

Long-term debt as of fiscal year end 2000 and 1999 consisted of the following:

(in millions)	2000	1999
6.0% notes due 2004	\$ 150.0	\$ 150.0
6.375% notes due 2009	150.0	150.0
9.75% notes due 2003	125.9	—
7.5% notes due 2003	125.0	125.0
7.29% and 7.44% notes due 2026 (\$100 million and \$25 million due 2004 and 2008, respectively, at option of note holder)	125.0	125.0
6.5% notes due 2006	100.0	100.0
7.5% notes due 2001	75.0	75.0
6.90% notes due 2005	60.0	60.0
6.25% notes due 2000	—	75.5
Various other debt	27.0	27.4
Total debt	937.9	887.9
Less: Amount classified as short-term debt	75.1	75.5
Unamortized discount	2.7	3.4
Total long-term debt	\$ 860.1	\$ 809.0

The Company maintains a \$750 million commercial paper program and also has \$750 million available under a contractual revolving credit facility as a back-up for the commercial paper program; accordingly, the Company has a total of \$750 million available under the commercial paper program and revolving credit facility combined. In addition, the Company borrows funds under unsecured money market loans. The interest rates on the revolving credit facility, expiring in 2004, are based primarily on the London Interbank Offered Rate ("LIBOR"). There were no borrowings under the revolving credit facility as of fiscal year end 2000 or 1999. The weighted-average borrowings under the commercial paper program and money market loans during 2000 and 1999 were \$372.1 million and \$128 million, respectively. The Company is in compliance with all covenants under its debt agreements.

During November 2000, the Company gave notice of its intent to redeem the 9.75 percent notes due 2003 with a face value of \$120 million at a rate, including premium, of 104.875. The notes were subsequently redeemed on January 2, 2001.

The amounts of long-term debt, excluding obligations under capital leases, are scheduled to mature, or have been redeemed, as follows:

Fiscal Year	Amount
(in millions)	
2001	\$ 201.0
2002	—
2003	125.0
2004	250.0
2005	61.0

The fair market value of the Company's floating rate debt as of fiscal year end 2000 approximated its carrying value. The Company's fixed rate debt had a carrying value of \$935.9 million and an estimated fair market value of \$930.5 million as of fiscal year end 2000. The fair market value of the fixed rate debt was based upon quotes from financial institutions for instruments with similar characteristics or upon discounting future cash flows.

10. Leases

As of fiscal year end 2000, annual minimum rental payments required under capital leases and operating leases that have initial noncancelable terms in excess of one year were as follows:

<i>(in millions)</i>	Capital Leases	Operating Leases
2001	\$ 1.6	\$ 18.2
2002	1.0	13.3
2003	0.8	10.5
2004	0.1	7.1
Thereafter	—	22.8
Total minimum lease payments	3.5	\$ 71.9
Less: imputed interest	0.6	
Present value of minimum lease payments	\$ 2.9	

Total rent expense applicable to operating leases amounted to \$17.8 million, \$19.1 million and \$15.3 million in 2000, 1999 and 1998, respectively. During 2000, the Company assumed the operating lease commitments of the former PAS (see Note 2) and renewed several long-term operating lease commitments. A majority of the Company's leases provide that the Company pays taxes, maintenance, insurance and certain other operating expenses.

11. Financial Instruments

During 2000 and 1999, the Company used derivative financial instruments to reduce the Company's exposure to adverse fluctuations in commodity prices. These financial instruments were "over-the-counter" instruments and were designated at their inception as hedges of underlying exposures. The Company does not use derivative financial instruments for trading purposes.

During 2000 and 1999, the Company entered into swap contracts to hedge future fluctuations in aluminum prices. Each contract hedges price fluctuations on a portion of the Company's aluminum can requirements. Because of the high correlation between aluminum commodity prices and the Company's contractual cost of aluminum cans, the Company considers these hedges to be highly effective. As of fiscal year end 2000, the Company has hedged a portion of its future domestic aluminum requirements. Deferred hedging gains and losses on these contracts as of fiscal year end 2000 were not significant and will be recognized in income upon sale of the inventory containing the aluminum being hedged.

12. Pension and Other Postretirement Plans

Company-sponsored defined benefit pension plans.

Most of the Company's U.S. employees are covered under various defined benefit pension plans sponsored and/or funded by the Company. Plans covering salaried employees provide pension benefits based on years of service and generally are limited to a maximum of 20 percent of the employees' average annual compensation during the five years preceding retirement. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. Plan assets are invested primarily in common stocks, corporate bonds and government securities.

In connection with the 1999 transaction with PepsiCo, substantially all of the active U.S. employees formerly employed by PepsiCo in the acquired territories are now covered under the plans sponsored and funded by the Company. Except as negotiated through new union contracts for hourly employees, each employee's years of service under the PepsiCo plans will count toward their benefit formula under the Company's plans; however, the Company did not assume plan assets or obligations under the PepsiCo plans.

Net periodic pension cost for 2000, 1999 and 1998 included the following components:

<i>(in millions)</i>	2000	1999	1998
Service cost	\$ 5.4	\$ 5.1	\$ 3.5
Interest cost	7.7	7.0	6.6
Expected return on plan assets	(9.4)	(8.6)	(8.0)
Amortization of actuarial loss	(0.9)	—	(0.3)
Amortization of transition asset	(0.2)	(0.2)	(0.2)
Settlement	0.1	—	—
Amortization of prior service cost	1.0	1.0	0.9
Net periodic pension cost	\$ 3.7	\$ 4.3	\$ 2.5

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The following tables outline the changes in benefit obligations and fair values of plan assets for the Company's pension plans and reconciles the pension plans' funded status to the amounts recognized in the Company's balance sheets as of fiscal year end 2000 and 1999:

<i>(in millions)</i>	2000	1999
Benefit obligation at beginning of year	\$ 104.5	\$ 106.3
Service cost	5.4	5.1
Interest cost	7.7	7.0
Amendments	0.3	1.8
Actuarial gain	(2.9)	(10.8)
Acquisition	7.1	1.0
Benefits paid	(6.5)	(5.9)
Benefit obligation at end of year	\$ 115.6	\$ 104.5
Fair value of plan assets at beginning of year	\$ 115.2	\$ 101.9
Actual return on plan assets	16.5	18.7
Employer contributions	2.4	0.5
Acquisition	9.6	—
Benefits paid	(6.5)	(5.9)
Fair value of plan assets at end of year	\$ 137.2	\$ 115.2
Funded status	\$ 21.6	\$ 10.7
Unrecognized net actuarial gain	(30.6)	(21.4)
Unrecognized prior service cost	4.2	4.9
Unrecognized transition asset	(0.2)	(0.4)
Net amount recognized	\$ (5.0)	\$ (6.2)

Net amounts recognized in the balance sheets consist of:

<i>(in millions)</i>	2000	1999
Prepaid pension cost	\$ 2.5	\$ —
Accrued pension liability	(7.5)	(6.2)
Net amount recognized	\$ (5.0)	\$ (6.2)

The Company uses September 30 as the measurement date for plan assets and obligations. Pension costs are funded in amounts not less than minimum levels required by regulation. The principal economic assumptions used in the determination of net periodic pension cost and benefit obligations were as follows:

	2000	1999	1998
Net periodic pension cost:			
Discount rates	7.5%	6.5%	7.0%
Expected long-term rates of return on assets	9.5%	9.5%	9.5%
Rates of increase in future compensation levels	5.0%	4.0%	4.5%
Benefit obligation:			
Discount rates	7.75%	7.5%	
Rates of increase in future compensation levels	5.25%	5.0%	

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$4.6 million, \$3.7 million and zero, respectively, as of fiscal year end 2000 and \$30 million, \$28.5 million and \$25 million, respectively, as of fiscal year end 1999.

Company-sponsored defined contribution plans.

Substantially all U.S. salaried employees and certain U.S. hourly employees participate in voluntary, contributory defined contribution plans to which the Company makes partial matching contributions. Company contributions to these plans amounted to \$7 million, \$6.1 million and \$5.1 million in 2000, 1999 and 1998, respectively.

Multi-employer pension plans. The Company's subsidiaries participate in a number of multi-employer pension plans, which provide benefits to certain union employee groups of the Company. Amounts contributed to the plans totaled \$2.9 million, \$3.9 million and \$3.1 million in 2000, 1999 and 1998, respectively.

Post-retirement benefits other than pensions. The Company provides substantially all former U.S. salaried employees who retired prior to July 1, 1989 and certain other employees in the U.S., including certain employees in the territories acquired from PepsiCo, with certain life and health care benefits. U.S. salaried employees retiring after July 1, 1989, except covered employees

in the territories acquired from PepsiCo, generally are required to pay the full cost of these benefits. Effective January 1, 2000, non-union hourly employees are also eligible for coverage under these plans, but are also required to pay the full cost of the benefits. Eligibility for these benefits varies with the employee's classification prior to retirement. Benefits are provided through insurance contracts or welfare trust funds. The insured plans generally are financed by monthly insurance premiums and are based upon the prior year's experience. Benefits paid from the welfare trust are financed by monthly deposits which approximate the amount of current claims and expenses. The Company has the right to modify or terminate these benefits.

Net periodic cost of post-retirement benefits other than pensions for 2000, 1999 and 1998 amounted to \$0.8 million, \$0.6 million and \$0.1 million, respectively. The Company's post-retirement life and health benefits are not funded. The unfunded accrued post-retirement benefits amounted to \$25 million as of fiscal year end 2000 and \$24.3 million as of fiscal year end 1999.

Multi-employer post-retirement medical and life insurance. The Company's subsidiaries participate in a number of multi-employer plans which provide health care and survivor benefits to union employees during their working lives and after retirement. Portions of the benefit contributions, which cannot be disaggregated, relate to post-retirement benefits for plan participants. Total amounts charged against income and contributed to the plans (including benefit coverage during their working lives) amounted to \$10 million, \$4.9 million and \$5.1 million in 2000, 1999 and 1998, respectively. Effective at the beginning of 2000, certain union employee groups terminated participation in PepsiCo-sponsored plans and began participation in multi-employer plans, which added \$4.4 million of expense relative to multi-employer plans in 2000.

13. Stock Options and Warrants

The Company's Stock Incentive Plan (the "Plan"), originally approved by shareholders in 1982 and subsequently amended from time to time, provides for granting incentive stock options, nonqualified stock options, related stock appreciation rights (SARs), restricted stock awards, and performance awards or any combination of the foregoing.

Generally, outstanding nonqualified stock options are exercisable during a ten-year period beginning one to three years after the date of grant. All options were granted at fair market value at the date of grant. There are no outstanding stock appreciation rights as of fiscal year end 2000.

In connection with the acquisition of the former PAS (see Note 2), all outstanding stock options of the former PAS were converted to options of the Company's stock. No cash or other consideration was issued to employees, and the aggregate intrinsic value of each option immediately after the acquisition was not greater than the aggregate intrinsic value of each former PAS option immediately before the acquisition. Further, the ratio of the exercise price for each option to the market value per share was not reduced, and the vesting provisions and option period of each original grant remained the same. Accordingly, no new measurement date was established relative to the converted options.

In connection with the transaction with PepsiCo, all shares granted prior to 1999 were vested in full during 1999.

In January 1998, the Company issued 92,400 options to certain Whitman and Pepsi General employees to purchase Whitman common stock at a price of \$25.03 per share. The Black-Scholes valuation for these options was \$5.64. In addition, the Company issued 319,700 options to employees of Hussmann and Midas. As a result of the spin-offs, options to purchase Whitman common stock held by Hussmann and Midas employees were forfeited and new options to purchase shares of the separate companies were issued to employees of each respective company. The total number of options forfeited, including options granted in January, 1998, were 3,041,268, of which 889,793 were exercisable. The remaining option agreements were modified to adjust the number of shares and relevant exercise prices pursuant to an IRS formula. No cash or other consideration was issued to employees, and the aggregate intrinsic value of each option immediately after the spin-offs was not greater than the aggregate intrinsic value of each option immediately before the spin-offs. Further, the ratio of the exercise price for each option to the market value per share was not reduced, and the vesting provisions and option period of each original grant remained the same. Accordingly, no new measurement date was established relative to the forfeited options.

Notes to Consolidated Financial Statements

Changes in options outstanding are summarized as follows:

	Options Outstanding		
	Options	Range of Exercise Prices	Weighted-Average Exercise Price
Balance, fiscal year end 1997	8,015,227	\$11.23 - \$27.81	\$19.81
Activity prior to the spin-offs:			
Granted	412,100	25.03 - 25.99	25.40
Exercised or surrendered	(590,471)	11.23 - 25.31	13.66
Recaptured or terminated	(3,041,268)	11.23 - 26.22	22.36
Adjustment due to the spin-offs	2,850,486		
Balance, upon the spin-offs as adjusted	7,646,074	7.04 - 17.44	11.89
Activity subsequent to the spin-offs:			
Granted	957,600	15.84 - 22.66	17.30
Exercised or surrendered	(1,487,026)	7.04 - 15.88	10.31
Recaptured or terminated	(234,727)	11.45 - 19.53	15.11
Balance, fiscal year end 1998	6,881,921	7.04 - 22.66	13.21
Granted	3,744,600	13.91 - 22.63	20.76
Exercised or surrendered	(231,416)	7.04 - 16.13	10.61
Recaptured or terminated	(154,489)	14.46 - 22.63	21.58
Balance, fiscal year end 1999	10,240,616	7.04 - 22.66	15.90
Granted	2,322,597	11.97 - 14.66	12.49
Exercised or surrendered	(262,798)	7.04 - 12.19	8.39
Recaptured or terminated	(500,622)	11.45 - 22.63	16.66
Converted from former PAS options	1,451,087	10.81 - 22.53	14.44
Balance, fiscal year end 2000	13,250,880	7.37 - 22.66	15.14

The number of options exercisable as of fiscal year end 2000 was 9,066,069, with a weighted-average exercise price of \$15.37, compared with options exercisable of 7,010,916 as of fiscal year end 1999 and 4,768,922 as of fiscal year end 1998 with weighted-average exercise prices of \$13.79 and \$11.97, respectively. As of fiscal year end 2000, there were

7,294,035 shares available for future grants, which includes shares remaining from the 8,000,000 shares provided for by the adoption of the 2000 Stock Incentive Plan in May, 2000. The following table summarizes information regarding stock options outstanding and exercisable as of fiscal year end 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted-Average Remaining Life (in years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
\$ 7.37 - \$ 12.84	5,018,862	6.4	\$ 11.02	2,386,559	\$ 9.61
\$ 13.09 - \$ 18.48	5,735,673	6.1	15.61	4,886,735	15.65
\$ 19.53 - \$ 22.66	2,496,345	8.0	22.36	1,792,775	22.25
Total Options	13,250,880	6.6	15.14	9,066,069	15.37

SFAS No. 123, "Accounting for Stock-Based Compensation" requires, among other items, the Company to disclose either in the Consolidated Statements of Income or in the Notes to the Consolidated Financial Statements an estimate of the cost of stock options granted to employees. The Company has elected to continue to account for stock options granted to employees in accordance with the intrinsic value method under Accounting Principles Board

Opinion No. 25. However, using the Black-Scholes model and the assumptions presented on the following page, the weighted-average estimated fair values at the dates of grant of options in 2000, 1999 and 1998 (subsequent to the spin-offs of Hussmann and Midas) were \$4.60, \$6.43 and \$5.01, respectively. The weighted-average estimated fair values of options granted in 1998 (prior to the spin-offs) was \$5.64.

The following table contains the Black-Scholes assumptions used:

		Options Granted After Spin-Offs		Options Granted Before Spin-Offs
	2000	1999	1998	1998
Risk-free interest rate	6.6%	5.0%	4.7%	5.3%
Expected dividend yield	0.4%	0.9%	1.0%	1.9%
Expected volatility	28.9%	27.8%	27.2%	19.8%
Estimated lives of options (in years)	5.0	5.0	5.0	5.0

Based upon the above assumptions, the Company's net income (loss) and income (loss) per share, adjusted to reflect the disclosures required under SFAS No. 123, would have been:

<i>(in millions, except per share amounts)</i>	2000	1999	1998
Pro forma income (loss):			
Income from continuing operations	\$ 64.4	\$ 37.3	\$ 59.8
Income (loss) from discontinued operations	8.9	(51.7)	2.4
Extraordinary loss on early extinguishment of debt	—	—	(18.3)
Net income (loss)	\$ 73.3	\$ (14.4)	\$ 43.9
Pro forma income (loss) per share - basic:			
Continuing operations	\$ 0.46	\$ 0.30	\$ 0.59
Discontinued operations	0.07	(0.42)	0.02
Extraordinary loss on early extinguishment of debt	—	—	(0.18)
Net income (loss)	\$ 0.53	\$ (0.12)	\$ 0.43
Pro forma income (loss) per share - diluted:			
Continuing operations	\$ 0.46	\$ 0.30	\$ 0.58
Discontinued operations	0.07	(0.42)	0.02
Extraordinary loss on early extinguishment of debt	—	—	(0.18)
Net income (loss)	\$ 0.53	\$ (0.12)	\$ 0.42

Options granted vest equally each year over a three year period. As a result, the estimated costs indicated above for 1998 reflect only a partial vesting of such options and do not consider the pro forma costs for options granted before 1995. If full vesting were assumed, the estimated pro forma compensation costs for each year would have been higher than indicated above.

The Company granted restricted shares of stock prior to 1998. No restricted shares were granted in 2000, 1999 or 1998. Holders of restricted shares of Whitman common stock received shares of Hussmann and Midas in the spin-offs, free of restrictions. A total of 132,707 Whitman restricted shares were forfeited by Hussmann and Midas executives, which were subsequently replaced by restricted shares of equivalent value in each respective company.

The Company recognized compensation expense in selling, delivery and administrative expenses of \$0.7 million in 1998, which included \$0.3 million associated with the dividend of Hussmann and Midas shares. Compensation expense recorded in discontinued operations related to these grants was \$0.7 million in 1998, which included \$1.3 million related to the dividend of Hussmann and Midas shares, offset by the recapture of previously recorded expense of \$0.6 million related to forfeited Whitman shares. At fiscal year end 1998, holders of 82,871 restricted shares of Whitman common stock received their shares free of restrictions, which resulted in a charge of \$0.3 million in 1998. Accordingly, the Company recorded no compensation expense related to restricted shares in 2000 or 1999.

Notes to Consolidated Financial Statements

In connection with the acquisition of the former PAS (see Note 2), the Company converted former PAS warrants to warrants to acquire shares of the Company's stock. The warrants are exercisable by Dakota Holdings LLC and by V. Suarez & Co., Inc. for the purchase of 377,128 and 94,282 shares, respectively, of the Company's common stock at \$24.79 per share, exercisable anytime until February 17, 2006. Pohlاد Companies holds an interest in Dakota Holdings LLC, which owns approximately 14.2 million shares of the Company's common stock.

14. Shareholder Rights Plan and Preferred Stock

On May 20, 1999, the Company adopted a Shareholder Rights Plan and declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$0.01 per share, of the Company. The dividend was paid on June 11, 1999 to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share, of the Company at a price of \$61.25 per one one-hundredth of a share of such Preferred Stock, subject to adjustment. The Rights will become exercisable if someone buys 15 percent or more of the Company's common stock or following the commencement of, or announcement of an intention to commence, a tender or exchange offer to acquire 15 percent or more of the Company's common stock. In addition, if someone buys 15 percent or more of the Company's common stock, each right will entitle its holder (other than that buyer) to purchase, at the Right's \$61.25 purchase price, a number of shares of the Company's common stock having a market value of twice the Right's \$61.25 exercise price. If the Company is acquired in a merger, each Right will entitle its holder to purchase, at the Right's \$61.25 purchase price, a number of the acquiring company's common shares having a market value at the time of twice the Right's exercise price. The plan was subsequently amended on August 18, 2000 in connection with the merger agreement with the former PAS. The amendment to the rights agreement provides that:

- None of Pohlاد Companies, any affiliate of Pohlاد Companies, Robert C. Pohlاد, affiliates of Robert C. Pohlاد or the former PepsiAmericas will be deemed an "Acquired Person" (as defined in the rights agreement) solely by virtue of (1) the consummation of the transactions contemplated by the merger agreement, (2) the acquisition by Dakota

Holdings of shares of the Company's common stock in connection with the merger, or (3) the acquisition of shares of the Company's common stock permitted by the Pohlاد shareholder agreement;

- Dakota Holdings will not be deemed an "Acquired Person" (as defined in the rights agreement) so long as it is owned solely by Robert C. Pohlاد, affiliates of Robert C. Pohlاد, PepsiCo and/or affiliates of PepsiCo; and
- A "Distribution Date" (as defined in the rights agreement) will not occur solely by reason of the execution, delivery and performance of the merger agreement or the consummation of any of the transactions contemplated by the merger agreement.

Prior to the acquisition of 15 percent or more of the Company's stock, the Rights can be redeemed by the Board of Directors for one cent per Right. The Company's Board of Directors also is authorized to reduce the threshold to 10 percent. The Rights will expire on May 20, 2009. The Rights do not have voting or dividend rights, and until they become exercisable, they have no dilutive effect on the per-share earnings of the Company.

The Company has 12.5 million authorized shares of Preferred Stock. There is no Preferred Stock issued or outstanding.

15. Supplemental Cash Flow Information

Net cash provided by continuing operations reflects cash payments and cash receipts as follows:

(in millions)	2000	1999	1998
Interest paid	\$ 84.7	\$ 64.4	\$ 51.4
Interest received	1.8	3.8	8.3
Income taxes paid	47.1	37.5	23.3
Income tax refunds	2.1	1.0	1.3

The Company also received \$1.6 million of interest from Hussmann and Midas in 1998 related to their intercompany account balances.

16. Environmental and Other Contingencies

The Company is subject to certain indemnification obligations under agreements with previously sold subsidiaries, including potential environmental liabilities. There is significant uncertainty in assessing the Company's share of the potential liability for such indemnification. The assessment and determination for cleanup at the various sites involved is inherently speculative during the early stages, and the Company's indemnification obligation for such costs is subject to various factors, including possible secondary insurance recoveries and the allocation of liabilities among many other potentially responsible and financially viable parties.

The Company's largest environmental exposure has been, and continues to be, the remedial action required at a facility in Portsmouth, Virginia for which the Company has an indemnity obligation. This is a superfund site which the U.S. Environmental Protection Agency required be remediated. Through 2000, the Company had indemnified an estimated \$37.8 million (net of \$3.1 million of recoveries from other responsible parties) for remediation of the Portsmouth site (consisting principally of soil treatment and removal) and has accrued and expects to incur an estimated \$3.8 million to complete the remediation over the next one to two years.

Although the Company has indemnification obligations for environmental liabilities at a number of other sites, including several superfund sites, it is not anticipated that the expense involved at any specific site would have a material effect on the Company. In the case of the other superfund sites, the volumetric contribution for which the Company has an obligation has in most cases been estimated and other large, financially viable parties are responsible for all or substantial portions of the remainder.

As of fiscal year end 2000, the Company had \$21.1 million accrued to cover potential indemnification obligations, including \$5 million classified as current liabilities, which excludes possible insurance recoveries and is determined on an undiscounted cash flow basis. Based on the latest evaluations from outside advisors and consultants, the Company believes the upper end of the range for its potential liability for indemnification obligations is approximately \$19 million higher than the current accrued balance. The Company has determined that there is no amount within the range of possible liabilities that appears to be a better estimate than any other amount within the range and the minimum amount within the range has been accrued. The Company expects a significant portion of the accrual will be disbursed during the next four years.

During the second quarter of 2000, a trust was established that will be used to satisfy a portion of the future indemnification obligations. As a result of the establishment of the trust, the Company removed a portion of its existing liabilities to which the trust is expected to be responsive. No payments were made by the Trust during 2000, and the Trust held \$33.6 million as of fiscal year end 2000. The Company and its previously sold subsidiaries have also in the past successfully negotiated other settlements with insurance companies and other responsible parties related to these environmental liabilities, including recoveries of \$2.8 million in 2000. Receivables of \$12.1 million for future amounts anticipated from insurance companies and other responsible parties were included as assets on the Company's balance sheet as of fiscal year end 2000.

The estimated indemnification liabilities include expenses for the remediation of identified sites, payments to third parties for claims and expenses, and the expenses of on-going evaluations and litigation. The estimates are based upon the judgments of outside consultants and experts and their evaluations of the characteristics and parameters of the sites, including results from field inspections, test borings and water flows. Their estimates are based upon the use of current technology and remediation techniques, and do not take into consideration any inflationary trends upon such claims or expenses, nor do they reflect the possible benefits of continuing improvements in remediation methods. The accruals also do not provide for any claims for environmental liabilities or other potential issues which may occur in the future.

The Company has contingent liabilities from various pending claims and litigation on a number of matters, including indemnification claims under agreements with previously sold subsidiaries for products liability and toxic torts. The ultimate liability for these claims cannot be determined. In the opinion of management, based upon information currently available, the ultimate resolution of these claims and litigation, including potential environmental exposures, and considering amounts already accrued, should not have a material effect on the Company's financial condition, although amounts recorded in a given period could be material to the results of operations or cash flows for that period.

Existing environmental liabilities associated with the Company's continuing operations are not material.

Notes to Consolidated Financial Statements

17. Segment Reporting

The Company operates in one industry, carbonated soft drinks and other ready-to-drink beverages, split into two geographic areas - Domestic and International. The Company does business in 18 states in the U.S., and outside the

U.S. the Company does business in Poland, Hungary, the Czech Republic, Republic of Slovakia, Puerto Rico, Jamaica, the Bahamas and Trinidad and Tobago.

Selected financial information related to the Company's geographic segments is shown below:

	Sales			Operating Income		
	2000	1999	1998	2000	1999	1998
Domestic	\$ 2,242.8	\$ 1,951.4	\$ 1,534.0	\$ 246.7	\$ 228.3	\$ 221.0
International	284.8	186.8	83.5	(23.7)	(46.8)	(17.2)
Total	\$ 2,527.6	\$ 2,138.2	\$ 1,617.5	\$ 223.0	\$ 181.5	\$ 203.8
Interest expense, net				(84.0)	(63.9)	(36.1)
Other income (expense), net				2.1	(46.0)	(15.5)
Pretax income				\$ 141.1	\$ 71.6	\$ 152.2

	Capital Investments			Depreciation and Amortization		
	2000	1999	1998	2000	1999	1998
Domestic	\$ 137.7	\$ 145.9	\$ 132.8	\$ 132.5	\$ 99.3	\$ 68.3
International	27.7	19.5	26.3	31.5	24.9	7.0
Total operating	165.4	165.4	159.1	164.0	124.2	75.3
Non-operating	—	—	—	2.4	2.4	2.4
Total	\$ 165.4	\$ 165.4	\$ 159.1	\$ 166.4	\$ 126.6	\$ 77.7

	Assets		Long-Lived Assets	
	2000	1999	2000	1999
Domestic	\$ 2,757.0	\$ 2,419.7	\$2,437.3	\$ 2,016.5
International	396.0	268.9	282.3	201.7
Total operating	3,153.0	2,688.6	2,719.6	2,218.2
Non-operating	182.6	175.7	74.2	77.7
Total	\$ 3,335.6	\$ 2,864.3	\$2,793.8	\$ 2,295.9

Operating income is exclusive of net interest expense, other miscellaneous income and expense items, and income taxes. In 2000, the Company recorded special charges of \$21.7 million (see Note 5), which reduced the reported domestic operating income in 2000. In 1999, the Company recorded special charges of \$27.9 million (see Note 5), which reduced reported operating income for domestic and international operations by \$7.3 million and \$20.6 million, respectively. Foreign currency losses were \$1.7 million in 1998, including \$1.4 million associated with the Russia operations, which were sold in March, 1999. Such losses are included in other income (expense), net. Foreign currency gains or losses in 2000 and 1999 were not significant.

There were no export sales, and sales between geographic areas were insignificant. Sales to any single customer and sales to domestic or non-U.S. governments were individually less than ten percent of consolidated sales.

Non-operating assets are principally cash and equivalents, investments, property and miscellaneous other assets, including \$30.3 million and \$30.4 million of real estate investments as of fiscal year end 2000 and 1999, respectively. Long-lived assets represent net property, investments and net intangible assets.

18. Transactions with PepsiCo

The Company is a licensed producer and distributor of Pepsi carbonated soft drinks and other non-alcoholic beverages. The Company purchases concentrate from PepsiCo to be used in the production of these carbonated soft drinks and other non-alcoholic beverages.

PepsiCo and the Company share a business objective of increasing availability and consumption of Pepsi's brands. Accordingly, PepsiCo provides the Company with various forms of marketing support to promote Pepsi's brands. This support covers a variety of initiatives, including market place support, marketing programs, marketing equipment and related program support and shared media expense. PepsiCo and the Company each record their share of the cost of marketing programs in their financial statements. Based on the objectives of the programs and initiatives, domestic marketing support is recorded as an adjustment to net sales or as a reduction of selling, delivery and administrative expenses. There are no conditions or requirements which could result in the repayment of any support payments received by the Company.

The Company manufactures and distributes fountain products and provides fountain equipment service to PepsiCo customers in certain territories in accordance with various agreements. There are other products which the Company produces and/or distributes through various arrangements with PepsiCo or partners of PepsiCo. The Company purchases concentrate from the Lipton Tea Partnership and finished goods from the North American Coffee Partnership. The Company pays a royalty fee to PepsiCo for the use of the Aquafina trademark.

The Consolidated Statements of Income include the following income and (expense) transactions with PepsiCo:

<i>(in millions)</i>	2000	1999	1998
Net sales	\$ 49.2	\$ 39.8	\$ 33.7
Cost of goods sold	(505.0)	(384.8)	(288.3)
Selling, delivery and administrative expenses	29.2	43.9	41.3

Notes to Consolidated Financial Statements

19. Selected Quarterly Financial Data

<i>(unaudited and in millions, except for earnings per share)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2000:					
Sales	\$ 548.9	\$ 682.6	\$ 655.2	\$ 640.9	\$ 2,527.6
Gross profit	\$ 229.2	\$ 279.1	\$ 269.0	\$ 256.1	\$ 1,033.4
Income from continuing operations	\$ 10.2	\$ 30.6	\$ 28.9	\$ 1.8	\$ 71.5
Income from discontinued operations	—	8.9	—	—	8.9
Net income	\$ 10.2	\$ 39.5	\$ 28.9	\$ 1.8	\$ 80.4
Weighted average common shares:					
Basic	138.1	136.4	136.3	145.4	139.0
Incremental effect of stock options	0.4	0.3	0.6	0.6	0.5
Diluted	138.5	136.7	136.9	146.0	139.5
Income per share – basic:					
Continuing operations	\$ 0.07	\$ 0.22	\$ 0.21	\$ 0.01	\$ 0.51
Discontinued operations	—	0.07	—	—	0.07
Net income	\$ 0.07	\$ 0.29	\$ 0.21	\$ 0.01	\$ 0.58
Income per share – diluted:					
Continuing operations	\$ 0.07	\$ 0.22	\$ 0.21	\$ 0.01	\$ 0.51
Discontinued operations	—	0.07	—	—	0.07
Net income	\$ 0.07	\$ 0.29	\$ 0.21	\$ 0.01	\$ 0.58
1999:					
Sales	\$ 370.3	\$ 505.2	\$ 680.5	\$ 582.2	\$ 2,138.2
Gross profit	\$ 150.6	\$ 207.1	\$ 288.5	\$ 243.3	\$ 889.5
Income (loss) from continuing operations	\$ 14.3	\$ (10.3)	\$ 24.4	\$ 14.5	\$ 42.9
Loss from discontinued operations	—	(27.2)	—	(24.5)	(51.7)
Net income (loss)	\$ 14.3	\$ (37.5)	\$ 24.4	\$ (10.0)	\$ (8.8)
Weighted average common shares:					
Basic	96.1	114.9	141.7	140.5	123.3
Incremental effect of stock options	1.5	—	0.9	0.5	0.9
Diluted	97.6	114.9	142.6	141.0	124.2
Income (loss) per share – basic:					
Continuing operations	\$ 0.15	\$ (0.09)	\$ 0.17	\$ 0.10	\$ 0.35
Discontinued operations	—	(0.24)	—	(0.17)	(0.42)
Net income (loss)	\$ 0.15	\$ (0.33)	\$ 0.17	\$ (0.07)	\$ (0.07)
Income (loss) per share – diluted:					
Continuing operations	\$ 0.15	\$ (0.09)	\$ 0.17	\$ 0.10	\$ 0.35
Discontinued operations	—	(0.24)	—	(0.17)	(0.42)
Net income (loss)	\$ 0.15	\$ (0.33)	\$ 0.17	\$ (0.07)	\$ (0.07)

The sum of earnings per share amounts for the 1999 quarters does not equal the 1999 fiscal year amount due to changes in the average shares outstanding during the period.

Due to the loss from continuing operations in the second quarter of 1999, no potential common shares were included in the computation of average diluted shares. The effect of potential common shares, assuming they were not anti-dilutive, would have resulted in 115.8 million average diluted shares.

Statement of Financial Responsibility

The consolidated financial statements of PepsiAmericas, Inc. and subsidiaries have been prepared by management, which is responsible for their integrity and content. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts which reflect certain estimates and judgments made by management. Actual results could differ from these estimates.

The Board of Directors, acting through the Audit Committee of the Board, has responsibility for determining that management fulfills its duties in connection with the preparation of these consolidated financial statements. The Audit Committee meets periodically and privately with the independent auditors and with the internal auditors to review matters relating to the quality of the financial reporting of the Company, the related internal controls and the scope and results of their audits. The Committee also meets with management to review the affairs of the Company.

To meet management's responsibility for the fair and objective reporting of the results of operations and financial condition, the Company maintains systems of internal controls and procedures to provide reasonable assurance of the reliability of its accounting records. These systems include written policies and procedures, a program of internal audit and the careful selection and training of the Company's financial staff.

The Company's independent auditors, KPMG LLP, are engaged to audit the consolidated financial statements of the Company and to issue their report thereon. Their audit has been conducted in accordance with auditing standards generally accepted in the United States of America. Their report appears below.

Report of Independent Auditors

The Board of Directors and Shareholders
of PepsiAmericas, Inc.:

We have audited the accompanying consolidated balance sheets of PepsiAmericas, Inc. and subsidiaries as of the end of fiscal years 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the fiscal years 2000, 1999 and 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiAmericas, Inc. and subsidiaries as of the end of fiscal years 2000 and 1999 and the results of their operations and their cash flows for each of the fiscal years 2000, 1999 and 1998 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP
Chicago, Illinois
January 31, 2001

Directors and Officers

Board of Directors

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Chairman, President and CEO
Dial Corporation

Richard G. Cline

Chairman
Hawthorne Investors, Inc.

Pierre S. du Pont

Director
Richards, Layton & Finger, P.A.

Archie R. Dykes

Chairman of the Board
PepsiAmericas, Inc.

Chairman

Capital City Holdings Inc.

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Former President
General Mills, Inc.

Jarobin Gilbert Jr.

President and CEO
DBSS Group, Inc.

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President
Victoria Belle, Inc.

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Senior Vice President
and Treasurer
PepsiCo, Inc.

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PepsiAmericas, Inc.

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Public Affairs
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PepsiCo, Inc.

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Chief Operating Officer
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G. Michael Durkin Jr.

Senior Vice President and
Chief Financial Officer

Steven R. Andrews

Senior Vice President
Secretary and General Counsel

Matthew E. Carter

Senior Vice President
Strategic Planning

Corporate Information

PepsiAmericas Headquarters

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Phone: 612-661-3883
Fax: 612-661-3825
www.pepsiamericas.com

Investor Relations

Securities analysts and investors should contact:
Investor Relations
612-661-3830

Shareholder Services

Communications about share ownership, book-entry accounts, dividend payments, transfer requirements, changes of address, lost stock certificates, account status and sale of shares should be directed to:

PepsiAmericas Inc.
c/o EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
800-519-3111

For copies of annual reports, Forms 10-K and 10-Q and other PepsiAmericas publications, please contact:

PepsiAmericas Inc.
3880 Dain Rauscher Plaza
60 South Sixth Street
Minneapolis, MN 55402
Attention: Investor Relations
612-661-3718

Additional information regarding shareholder services and investor information may be found on the Company's web site at: www.pepsiamericas.com

Dividend Reinvestment and Additional Investments in PepsiAmericas Inc. Common Stock

EquiServe Trust Company, N.A. provides the DirectSERVICE Investment Program for PepsiAmericas shareowners, under which current shareowners may elect to reinvest dividends and/or make optional cash investments in additional shares of PepsiAmericas common stock. The program also allows cash investments in PepsiAmericas common stock by first-time investors, with a \$250 minimum initial investment. Shareowners may also sell their shares through the DirectSERVICE Investment Program.

For a brochure and details of the program, please direct inquiries to:

DirectSERVICE Investment Program
EquiServe Trust Company, N.A.
P.O. Box 2598
Jersey City, NJ 07446-2617

Registered shareowners: 800-446-2617
Other interested investors: 800-660-4187

Independent Auditors

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601

Transfer Agent and Registrar

EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, NJ 07303-2500
800-446-2617

New York Stock Exchange

Common Stock (Symbol: PAS)

Annual Meeting

The company's annual meeting of shareholders will be held at the Four Seasons Hotel, 120 Delaware Place, Chicago at 10:30 a.m., Thursday, May 3, 2001.

PepsiAmericas

growing
across
the
globe

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www.pepsiamericas.com